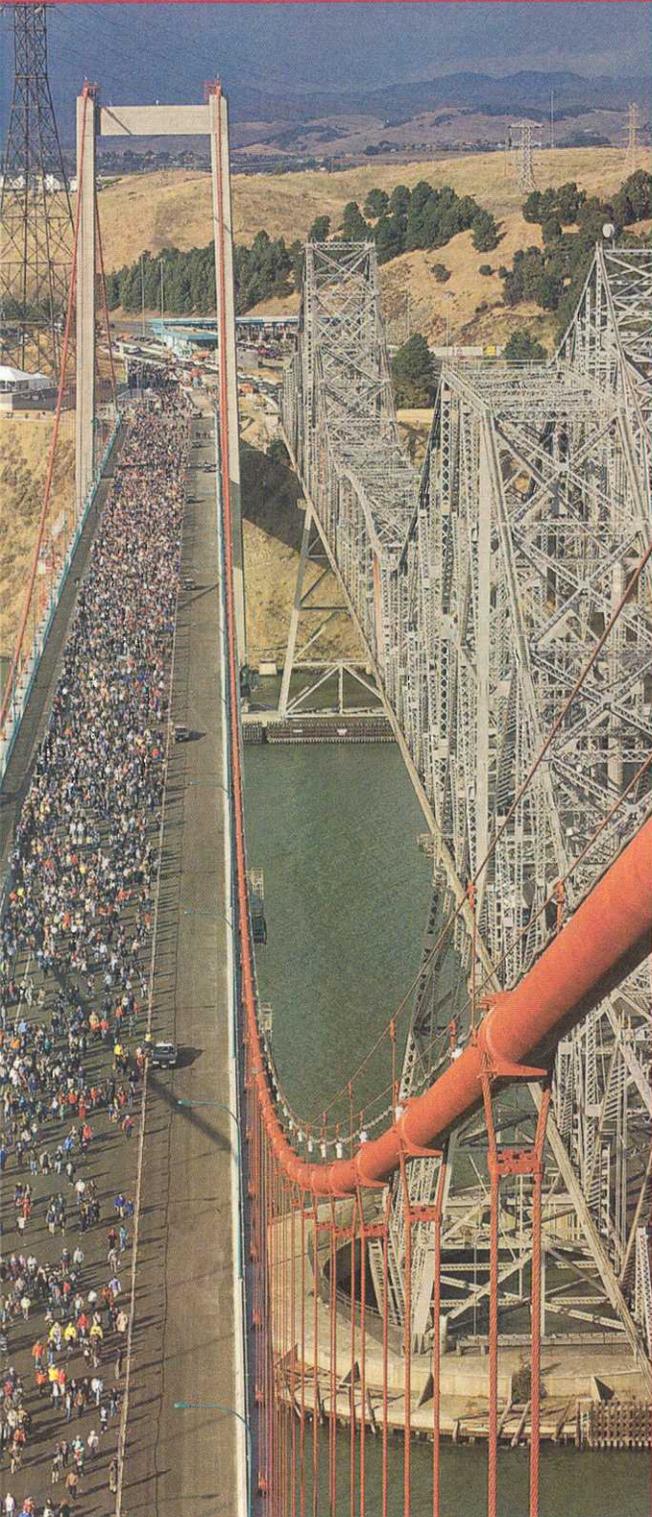


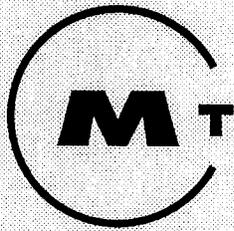


METROPOLITAN  
TRANSPORTATION  
COMMISSION  
STATE OF CALIFORNIA



# Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2004



METROPOLITAN  
TRANSPORTATION  
COMMISSION

# Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2004

State of California

Prepared by MTC Finance Section

**Metropolitan Transportation Commission**  
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**June 30, 2004 and 2003**

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# Metropolitan Transportation Commission

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**METROPOLITAN  
TRANSPORTATION  
COMMISSION**

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October 27, 2004

*Steve Kinsey, Chair*  
Marin County and Cities

*Jon Rubin, Vice Chair*  
San Francisco Mayor's Appointee

*Tom Anniano*  
City and County of San Francisco

*Irma L. Anderson*  
Cities of Contra Costa County

*Tom Azumbrado*  
U.S. Department of Housing  
and Urban Development

*James T. Beall Jr.*  
Santa Clara County

*Mark DeSaulnier*  
Contra Costa County

*Bill Dodd*  
Napa County and Cities

*Dorene M. Giacomini*  
U.S. Department of Transportation

*Scott Haggerty*  
Alameda County

*Barbara Kaufman*  
San Francisco Bay Conservation  
and Development Commission

*Sue Lempert*  
Cities of San Mateo County

*John McLemore*  
Cities of Santa Clara County

*Michael D. Nevin*  
San Mateo County

*Bijan Sartipi*  
State Business, Transportation  
and Housing Agency

*James P. Spring*  
Solano County and Cities

*Pamela Torliatt*  
Association of Bay Area Governments

*Sbaron Wright*  
Sonoma County and Cities

*Shelia Young*  
Cities of Alameda County

*Steve Heminger*  
Executive Director

*Ann Flemer*  
Deputy Director/Operations

*Therese W. McMillan*  
Deputy Director/Policy

Honorable Chairman  
Members of the Metropolitan Transportation Commission

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Metropolitan Transportation Commission (MTC), its blended component units and fiduciary funds for the fiscal year ending June 30, 2004. State law requires that MTC and its component units publish a complete audited financial statement within six months of the close of each fiscal year. The financial statements are presented in conformance with Generally Accepted Accounting Principals (GAAP) and audited by a firm of certified public accountants licensed to practice in the State of California.

Responsibility for both accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with the staff of MTC. To the best of our knowledge and belief, the enclosed information and report is accurate in all material respects and reported in a manner that presents fairly the financial position and operating results of MTC, its blended component units and proprietary funds as of June 30, 2004. All disclosures reasonably necessary to enable an understanding of the government's financial activities have been included.

The independent audit is conducted by the firm of PricewaterHouseCoopers, LLP (PWC). The goal of the independent audit is to provide reasonable assurance that the financial statements presented here for the fiscal year ending June 30, 2004, are free of material misstatement. The independent auditor's findings are contained in a separate report. In addition, MTC is required to undergo a Single Audit of Federal programs conducted under the provisions of OMB Circular A133. The findings of the Single Audit are also presented in a separate report.

GAAP also requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements. This narrative is presented in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to compliment the MD&A and should be read in conjunction with the MD&A, which can be found immediately following the independent auditor's report.

The CAFR for the fiscal year ending June 30, 2004 includes financial information for all funds, accounts and fiduciary activities under the authority of MTC. MTC also participates in numerous boards, groups and associations. While MTC participates in such activities, MTC does not have an ongoing financial interest or administrative control and, as such, information related to these outside groups and associations are excluded

from this report. MTC is also a member of the Regional Administrative Facility Corporation (RAFC), which is a joint powers facility management association consisting of MTC, Association of Bay Area Governments (ABAG), and the Bay Area Rapid Transit District (BART). MTC does not oversee RAFC or its expenses and as such, they are excluded from this report.

Governmental Structure

MTC was established under the laws of the State of California in 1970 to provide comprehensive regional transportation planning for the nine counties that comprise the San Francisco Bay Area: Alameda, Contra Costa, Marin, Napa, the City and County of San Francisco, San Mateo, Santa Clara, Solano and Sonoma. The Commission consists of sixteen voting and three non-voting members representing the following:

<b>Agency</b>	<b>Voting Members</b>	<b>Non-Voting Members</b>
Alameda County	2	
Contra Costa County	2	
Marin County	1	
Napa County	1	
City & County of San Francisco	2	
San Mateo County	2	
Santa Clara County	2	
Solano County	1	
Sonoma County	1	
Association of Bay Area Governments (ABAG)	1	
San Francisco Bay Conservation & Development Commission	1	
U.S. Department of Transportation		1
U.S. Department of Housing & Urban Development		1
State Business, Transportation & Housing Agency		1
Total:	16	3

Each Commissioner's term of office is four years or until a successor is appointed.

MTC commissioners also serve as the governing authority for MTC Service Authority for Freeways & Expressways (MTC SAFE) and the Bay Area Toll Authority (BATA). MTC provides all staffing and administrative services. The Commission is responsible for establishing budgets and policy direction. An Executive Director appointed by the Commission is responsible for carrying out Commission direction and day-to-day administration of MTC and its employees.

A primary MTC function is administering and processing transportation funding for the nine-county Bay Area. Between MTC, its blended component units and fiduciary accounts, MTC appropriated over \$900 million for the fiscal year 2004. The funding breakdown is as follows:

<b>MTC</b>	<b><u>2003</u></b>	<b><u>2004</u></b>
General Fund	\$ 88,208,571	\$ 54,926,260
Transit Reserves	4,814,154	4,557,208
Rail Extension	10,585,242	10,993,143
AB 664 Net Toll	11,214,435	24,185,513
Exchange	549,512	330,123
STA	47,527,193	38,618,599
Feeder Bus	<u>2,143,206</u>	<u>2,913,624</u>
<b>MTC Total:</b>	<b>\$ 165,042,313</b>	<b>\$ 136,524,470</b>
<b>Enterprise</b>		
SAFE	\$ 12,733,883	\$ 12,003,838
BATA	<u>416,292,541</u>	<u>477,162,914</u>
<b>Enterprise Total:</b>	<b>429,026,424</b>	<b>489,166,752</b>
<b>Fiduciary</b>		
TDA	\$ 241,446,221	\$ 257,594,817
AB 1107	<u>64,819,389</u>	<u>57,052,805</u>
<b>Fiduciary Total:</b>	<b><u>306,265,610</u></b>	<b><u>314,647,622</u></b>
 <b>Grand Total:</b>	 <b><u>\$ 900,334,347</u></b>	 <b><u>\$ 940,338,844</u></b>

During 2004, MTC allocated funding for existing bus, rail, train and ferry services, as well as future transportation projects. BATA funding includes over \$360 million for the RM 1 bridge construction program.

#### Fiscal Year 2004:

During 2004, the local economy showed signs of recovering from an economic slump suffered by the Bay Area since 2001. The first overall increase in sales tax revenue since 2001 occurred during 2004. Overall sales tax increased 2.4% with seven of nine counties showing increases. Some funding problems will continue through 2005 as delays in federal funding reauthorization will complicate project planning, funding and delivery.

While MTC utilized part of its unreserved fund balance to maintain service delivery, the funds remain financially strong.

	<u>MTC *</u>	<u>BATA</u>	<u>SAFE</u>
Revenue	\$ 49 million	\$ 159 million	\$ 13 million
Ending Net Assets	\$ 24 million	(\$170 million)	\$ 27 million
% of Revenue	49%	-107 %	208 %

\* general operating fund only (excluding special revenue)

The negative asset balance in BATA is the result of financing projects for Caltrans owned bridges and is discussed below. Conservative financial management has allowed MTC to remain financially sound through three consecutive years of general revenue declines in the Bay Area.

The combination of an improving economy combined with cost cutting should help keep positive asset balances through 2005.

Despite the appearance of negative net assets in the BATA fund, both enterprise funds, MTC SAFE and BATA continue in strong financial positions despite recent economic conditions. Toll revenue is up 1.2% while vehicle license fees were up 5% from fiscal years 2003 to 2004 respectively. Both funds maintain significant asset balances which should be adequate to meet unexpected revenue shortfall.

The negative BATA balance results from BATA issuing and carrying the toll bridge revenue bond debt but not the assets being constricted. Through June 30, 2004 BATA issued a total of \$700 million in revenue bonds for capital projects built, maintained and recorded on the books of the State Department of Transportation. Comparing cash, investments and current assets to current liabilities presents a more accurate picture of BATA's overall equity position. All toll and other revenue received by BATA is first committed to operation and maintenance of the bridges and their obligations to bondholders. Over the 35 year life of the planned financing, toll revenue is expected to exceed \$4.4 billion with debt costs for the planned RM 1 financing plan totaling (principal and interest) approximately \$2.0 billion.

	<u>2003</u>	<u>2004</u>
Assets	\$ 886,094	\$ 629,084
Current Liabilities	<u>\$ 38,984</u>	<u>\$ 98,241</u>
Net before Long Term Debt	\$ 847,110	\$ 530,843
Long Term Debt	<u>(\$ 701,245)</u>	<u>(\$ 701,161)</u>
Net Assets	<u>\$ 145,865</u>	<u>(\$ 170,318)</u>
Cash & Investments	\$847,537	\$ 600,186
% of Total Assets	96%	95%
% of Total Debt	120%	95%

BATA's cash position represents 95% of total assets and 95% of all outstanding long term debt at the close of fiscal 2004. An extremely strong financial position that acts both as a contingency against economic swings that would impact toll revenue and operating costs, as well as to provide a contingency for project cost increases. The cash balance dropped in 2004 as Caltrans project expenses increased for the Benicia bridge project. The cash balance will be restored as BATA completes its planned 2004 \$300 million toll revenue bond issuance and reimburses itself for past project expenses. BATA expects the cash equity balance to draw down and stabilize at \$400 million when all projects are completed.

For the Future:

MTC

MTC is still at a critical juncture with the TransLink program. TransLink is a universal fare card based on Smart-Card technology being developed under contract to MTC. Phase I - Operator

Test, was successful in developing operating processes with a limited number of operators. Phase II will see implementation on a more region-wide basis. In addition to developing “back-office” procedures and operating control structures for Phase II development, which is expected to start during 2004. The transit operators have implemented a management group consisting of participating agencies will assume administrative responsibility for all TransLink assets.

### BATA

BATA continues to show modest revenue gains. Toll revenue for fiscal year 2004 increased a modest 1.2% compared to fiscal year 2003. Such modest increases could have long term impacts if operating costs, particularly enhanced electronic toll collections, increase at a more rapid pace. As such, controlling operating costs is important to BATA’s financial future. BATA is also working with the Golden Gate Bridge and Highway District and Caltrans to develop a single electronic toll collection facility that will be operated by ACS under a contract administered by BATA. BATA administration believes a single facility will have efficiencies that will reduce processing and toll collection costs over time.

BATA expects bridge construction costs to be more controllable in the future having settled a major construction change order on the Benicia bridge project. During 2004, BATA approved a \$405 million change order that will bring RM 1 project costs to nearly \$2.0 billion. BATA has the capacity to fund the current RM 1 construction program and maintain operating costs within the current \$1.00 base toll increase. BATA is currently preparing for the last scheduled RM 1 financing to be completed in fiscal 2005.

### MTC SAFE

MTC SAFE is undertaking a major effort to upgrade call box services throughout the nine-county bay area to adjust for reduced call loads. MTC SAFE will remove some non-essential call boxes while replacing and upgrading others.

### Financial Information:

Management of MTC is responsible for establishing and maintaining a system of internal financial controls that provide reasonable, although not absolute, assurance that assets are protected from loss, theft or misuse. MTC management is responsible for assuring that adequate accounting controls are in place to provide reasonable assurance as to the accuracy of information and data used to prepare this report. The concept of reasonable assurance in internal controls recognizes that the cost of implementing a control should not outweigh the benefits likely to be received, and that the valuation of costs and benefits requires estimates and judgment exercised by management.

### Single Audit:

In addition to the general audit, MTC is required to undergo a federally mandated “Single Audit” of federal expenditures and federal awards. The Single Audit is conducted in conformity with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and non-profit organizations. Under the Single Audit process, the independent auditor conducts tests to determine the adequacy of the internal control structure,

including those related to federal funding, as well as to determine whether MTC complied with applicable laws and regulations.

The standards governing the Single Audit also require the independent auditor to report on a schedule of expenditures of federal awards, a schedule of findings and recommendations, the auditor's reports on the internal control structure, as well as compliance with applicable laws and regulations.

This report on federal award programs in accordance with OMB circular A-133 for fiscal year 2004 is issued in a separate report.

#### Budget Controls:

MTC adopts annual operating budgets for MTC, MTC SAFE and BATA. Operating budgets are adopted for a single fiscal year; project length budgets are adopted for multi-year operating and capital project budgets. Budgetary controls are maintained to monitor compliance with the Commission's authorization and adopted rules. The legal level of control, the level at which expenditures cannot exceed budgets, is at the individual fund level. The Executive Director is authorized to reallocate resources within a single fund. However, all increases to any overall fund budget must be approved by the Commission.

MTC also maintains an encumbrance system. Encumbrances that exceed a single year are carried over and budgeted in the ensuing year.

#### General Government Functions:

MTC provides all services to all MTC funds and component units. MTC's principal purpose is to provide transportation planning, administration and funding to transit operators throughout the nine-county San Francisco Bay Area. Staff recommendations are presented for review and consideration by the Commission and any approved actions are administered by MTC staff regardless of the fund or enterprise involved.

#### Enterprise Operations:

MTC runs two business-type enterprise funds, MTC SAFE and BATA. In June 1988 MTC SAFE was created to receive \$1 vehicle registration fee collected by the Department of Motor Vehicles in accordance with Streets & Highways Code § 2553. In 1993, MTC SAFE's authority was expanded to participate in the development of the Freeway Surface Patrol (FSP). BATA was created in January, 1998, pursuant to Senate Bill 226, to administer the base toll revenue collected on seven State-owned bridges and to administer the \$2.1 billion voter approved Regional Measure 1 (RM 1) bridge construction program. In March 2004, voters in seven bay area counties approved Regional Measure 2 which increased the bridge toll by \$1.00 to fund traffic and congestion management programs in the bridge corridors. BATA administers the toll collection program pursuant to a Memorandum of Understanding between BATA and Caltrans.

Retirement System:

MTC is a member of the California Public Employee Retirement System (CalPers). MTC is required to contribute an actuarially determined amount as necessary to fund the contracted employee benefits. As of June 2003, MTC had over funded its retirement contributions and, as such, was not required to make additional contributions during fiscal year 2004.

Debt Administration:

The agency's only debt is \$700 million in toll revenue bonds issued by BATA. The bonds are part of a \$1 billion capital financing plan adopted by BATA in 2001. The bonds consist of \$100 million fixed rate and \$600 million variable rate. The variable rate bonds are insured by Ambac Assurance Corporation at June 30, 2004. The fixed rate bonds carried "AA"/"Aa3"/"AA" ratings from Standard & Poor's, Moody's and Fitch respectively, however, Fitch ratings service subsequently lowered the rating to "AA-" as a direct result of cost increases related to the State seismic retrofit program.

BATA has swapped a total of \$500 million of the variable rate debt to synthetic fixed rate debt. The \$300 million 2001 swap consists of BATA paying a contractual fixed rate ranging from 4.09% to 4.12% while receiving variable rate payments from the three counter-parties, Ambac, Citicorp, and Morgan Stanley. The \$150 million Ambac component is insured by Ambac for both BATA and counter-party failure while the \$75 million to both Citicorp and Morgan Stanley must post collateral to a third party in the event of a downgrade.

BATA also swapped \$200 million of the 2004 variable rate bond issue. BATA will pay 4.139% while receiving a variable rate payment based on 65% of one month LIBOR. Ambac provides insurance against payment failure or default on the part of BATA or the counterparty. In May 2004, BATA agreed to terms with Ambac as counterparty to swap \$300 million in variable rate bonds to be issued by October, 2004.

Cash Management:

Cash is invested as authorized under section 53600 of the California Government Code and the Investment Policy adopted by MTC. The Investment Policy emphasizes safety and minimum credit risk with a yield competitive within a market emphasizing safety.

The overall portfolio for fiscal 2004 ended at \$728.8 million from fiscal 2003 to 2004. As of June 30, 2004, cash investments were as follows:

	<u>2003</u>	<u>2004</u>
• U.S. Government Agencies	\$ 789,902	\$ 542,981
• Mutual Funds	162,401	148,057
• Investment Pools	<u>27,917</u>	<u>37,797</u>
Total:	<u>\$ 980,220</u>	<u>\$ 728,835</u>

Except for designated reserves which may have a maturity of up to 15 years, MTC's investment policy allows a maximum maturity of five years within structured liquidity constraints. The weighted average maturity of the portfolio was less than one year for all MTC, MTC SAFE and BATA operating funds. Designated BATA reserves have a weighted average maturity of 4.2 years. The earnings yield for fiscal year 2004 was 2.68%. The portfolio dropped by nearly \$280 million as a result of collected bridge project payments. The balances will be restored with the \$300 million BATA financing to be completed in fiscal 2005.

Other Information:

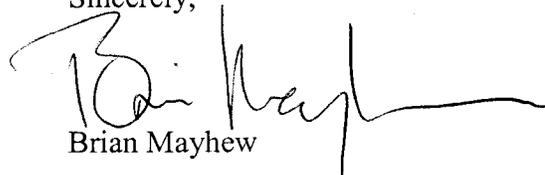
Independent Audit:

MTC is required to undergo an annual independent audit conducted by a CPA firm licensed in California. The firm of PriceWaterhouseCoopers, LLP was selected to conduct the general audit of MTC, its component units and fiduciary funds, as well as meeting the requirements of the federal Single Audit Act of 1984 and related OMB Circular A-133. The independent audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. PWC has concluded, based upon their audit, that there is a reasonable basis for rendering an unqualified opinion that the financial statements as of June 30, 2004, are fairly presented and in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report. The resulting audit opinion expressed is "unqualified" as to financial presentation and internal controls, with no "material weakness" or "reportable condition" findings.

The auditor's report on internal controls and compliance with applicable laws and regulations can be found in a separately issued report.

MTC received its first ever Certificate of Excellence in financial reporting awarded for the June 30, 2003 audit and financial report. The annual audit, the financial report and the certificate are the results of extensive effort by MTC and PWC staff. To this end, I thank the dedicated finance staff of MTC without whose hard work this report could not be produced in an accurate and timely manner.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Mayhew", with a long horizontal flourish extending to the right.

Brian Mayhew

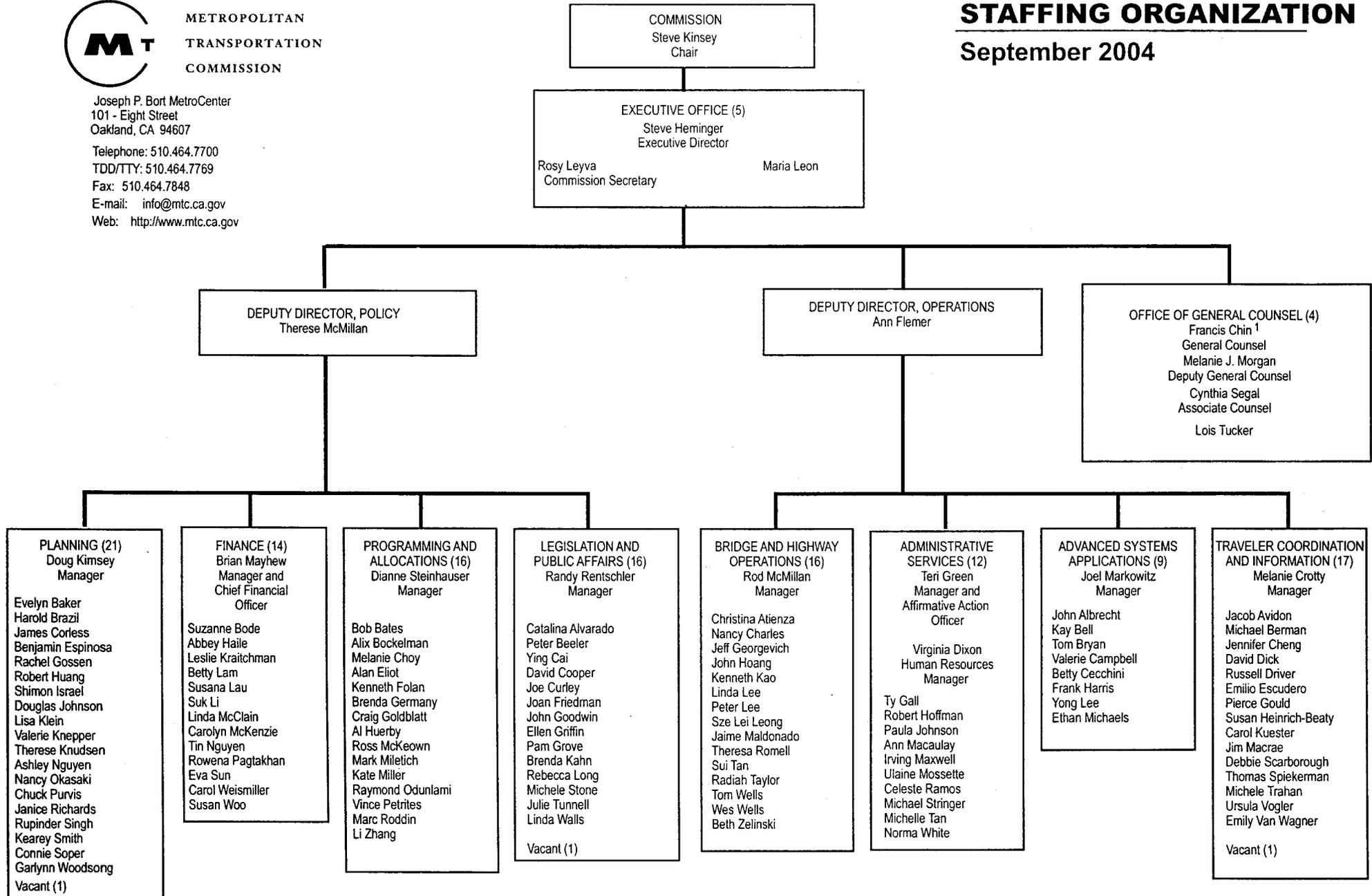


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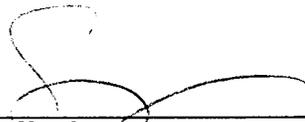
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Web: http://www.mtc.ca.gov

# STAFFING ORGANIZATION

September 2004



Footnotes:  
130 authorized regular, full-time positions  
1 Advises Commission Directly  
updated 09-15-04\_am

  
**Steve Heminger**  
Executive Director

# METROPOLITAN TRANSPORTATION COMMISSION

## ELECTED OFFICIALS

Steve Kinsey, Chair	Marin County and Cities
Jon Rubin, Vice Chair	San Francisco Mayor's Appointee
Tom Ammiano	City and County of San Francisco
Irma L. Anderson	Cities of Contra Costa County
Tom Azumbrado	US Department of Housing and Urban Development
James T. Beall, Jr.	Santa Clara County
Mark DeSaulnier	Contra Costa County
Bill Dodd	Napa County and Cities
Dorene M. Giacopini	US Department of Transportation
Scott Haggerty	Alameda County
Barbara Kaufman	San Francisco Bay Conservation and Development Commission
Sue Lempert	Cities of San Mateo County
John McLemore	Cities of Santa Clara County
Michael D. Nevin	San Mateo County
Bijan Sartipi	State Business, Transportation and Housing Agency
James P. Spering	Solano County and Cities
Pamela Torliatt	Association of Bay Area Governments
Sharon Wright	Sonoma County and Cities
Shelia Young	Cities of Alameda County

## APPOINTED OFFICIALS

Steve Heminger	Executive Director
----------------	--------------------

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Metropolitan Transportation Commission, California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

**Report of Independent Auditors**

To the Commissioners  
Metropolitan Transportation Commission

In our opinion, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Metropolitan Transportation Commission (MTC) which collectively comprise MTC's basic financial statements, as listed in the table of contents, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, at June 30, 2004 and 2003, and the respective changes in financial position and cash flows, where applicable thereof for the years then ended, and the respective budgetary comparison for the General Fund, Transit Reserve Fund, Rail Extension Reserve Fund, AB 664 Net Toll Revenue Reserve Fund, Exchange Fund, State Transit Assistance Fund and the Feeder Bus Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the MTC's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinions.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2004 on our consideration of MTC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended June 30, 2004. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 2 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The supplemental schedules on pages 65 through 83 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



October 7, 2004

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2004 and 2003**

### **Management's Discussion and Analysis (unaudited)**

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#### **Management's Discussion and Analysis**

This section presents a discussion of the results of operations and financial performance of Metropolitan Transportation Commission (MTC), its blended component units, and fiduciary funds for the year ended June 30, 2004.

The fiscal year 2004 was a year of mixed results for MTC. MTC's general fund still incurred an operating deficit while there was a surplus in the MTC SAFE and BATA. The Bay Area economy improved a bit from the previous year with the region's sales tax revenue having a slight increase after two straight declining years. Despite only a small increase in the overall economy, there were highlights during the fiscal year as well. Several programs that made significant progress during this current year are as follows:

- The Transportation 2030 plan is a 25-year transportation policy and spending blueprint for the nine-county San Francisco Bay Area. This plan and document was a huge undertaking during the year and involved many community participants and the region's transit partners. The culmination of this effort will result in a draft of the Transportation 2030 Plan to be released in the fall of 2004 with the final approval slated for early 2005.
- BATA assumed management of the FasTrak Regional Customer Service Center (RCSC) from Caltrans effective April 2004. The FasTrak RCSC project is a partnership between BATA, Golden Gate Bridge, Highway and Transportation District (GGBHTD) and Caltrans to consolidate the FasTrak service center operations. The contractor will merge the two service centers next year into a single facility with a single software system.
- The Carquinez bridge was completed and opened to the public in October 2003. This is the new westbound I-80 span built with Regional Measure 1 toll funds.
- The Bay Area voters approved the Regional Measure 2 ballot in March 2004. This measure increases the bridge toll revenue for the seven bridges in the Bay Area maintained by Caltrans by one dollar effective July 1, 2004. This dollar is designated for a list of projects to reduce traffic congestion in the region.
- The 511 program received a couple of significant recognition awards. The 511 Traveler Information project received the American Public Transportation Association's APTA Innovation Award in 2003 for being the nation's most fully implemented 511 system and serving as a model for other metropolitan areas. This program also won a Transportation management 'Tranny' award for the California Transportation Foundation also in 2003.

(Except as otherwise stated, all amounts described below are expressed in thousands of dollars - 000 removed)

#### **A. Financial Highlights**

The net assets decreased in each of the last two years with a \$325,265 or 96.7 percent decrease for 2004 and a \$247,204 or 42.4 percent decrease for 2003. The decreases are primarily the result of planned project drawdowns in the BATA Regional Measure 1 (RM 1) program.

Net assets in the governmental funds also decreased in each of the last two years with a \$9,406 or 5.7 percent decrease for 2004 compared to a \$4,296 or 2.6 percent decrease for 2003 as reported under the accrual basis of accounting. Net assets in the governmental funds also decreased for the last two years with a \$17,099 or 14.1 percent decrease for 2004 compared to a \$11,488 or 8.7 percent decrease for 2003 as reported under the modified accrual basis of accounting.

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2004 and 2003**

### **Management's Discussion and Analysis (unaudited), *continued***

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At June 30, 2004 fiscal year, the general fund unrestricted reserves were \$4,133 or 7.5 percent of total general fund expenditures. The general fund unrestricted reserves at June 30, 2003 fiscal year were \$1,953 or 2.2 percent of the total general fund expenditures. The unreserved general fund balance increased by \$2,180 or 111.6 percent in fiscal 2004 mainly due to a decrease in restricted reserves.

#### **B. Overview of Government-Wide Financial Statements**

The government-wide financial statements provide an overview of MTC and its blended component units. The government-wide financial statements comprise a Statement of Net Assets, a Statement of Activities, and accompanying footnotes. The Statement of Net Assets presents information on the government-wide change in assets and liabilities of MTC during the 2004 fiscal year. The difference between the assets and liabilities is reported as "Net Assets". The Statement of Activities presents government-wide information showing the change in net assets resulting from revenues earned and expenses incurred during the 2004 and 2003 fiscal years. All changes in net assets are recorded as revenues are earned and expenses are incurred, regardless of the timing of related cash flows.

The government-wide financial statements distinguish business-type activities, which recover a significant portion of costs from user fees or charges, and from governmental activities that are principally supported by grants, contributions, taxes and inter-governmental sources.

MTC is composed of governmental and business-type funds. The governmental funds comprise the general fund and the special revenue funds. The business or proprietary funds are BATA and MTC SAFE. These funds are further described on pages 42-43 of the footnotes to the financial statements.

The government-wide Statement of Net Assets and Statement of Activities are presented on pages 13-16 of this report with the accompanying footnotes being presented on pages 38-63.

#### **C. Overview of the Fund Financial Statements**

##### *i.) Governmental Funds*

Governmental funds are used to account for the MTC activities supported by grants, contributions, sales taxes, and inter-governmental revenue sources. These funds focus on the annual inflows and outflows of resources as well as on the balance of resources available to be spent at fiscal year end rather than the longer term focus of governmental activities as seen in the government-wide financial statements. The governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison of governmental funds to governmental activities.

MTC's governmental funds include a general fund and six special revenue funds. These funds are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The general fund and six of these special revenue funds are considered to be major funds. The financial statements of the governmental funds, prepared under the modified accrual basis of accounting are on pages 17-21 of this report.

MTC adopts annual budgets for all funds. However, a comparison of budget-to-actual is required only for the governmental funds and is presented in these financial statements on pages 22-28 of this report.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2004 and 2003**  
**Management's Discussion and Analysis (unaudited), *continued***

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ii) Proprietary Funds

Proprietary funds are used to report business-type activities. MTC has two proprietary funds, BATA and SAFE. These funds are presented as blended component units of MTC on the government-wide financial statements. BATA oversees the administration of toll collection and maintenance activities for the seven state-owned bridges in the San Francisco Bay Area, as well as administers the RM 1 capital improvement program approved by the voters in 1988. SAFE administers a freeway motorist aid system providing tow truck and call box services to stranded motorists in the nine Bay Area counties.

The financial statements of the proprietary funds are prepared on an accrual basis and are on pages 29-36.

iii) Fiduciary Funds

Fiduciary funds are used to account for resources held in a trust or agent capacity for the benefit of parties outside MTC. These funds are not reflected in the government-wide financial statements, as the resources cannot be used to support the programs of MTC or those of its component units. The fiduciary funds of MTC use the economic resources measurement focus and the accrual basis of accounting.

MTC reports on two fiduciary funds, Transportation Development Act (TDA) and BART Half Cent Sales Tax (AB1107) funds. Revenue for each of these funds are derived from sales tax revenues. The revenues for the TDA fund are deposited with the respective treasurer in each of the nine counties in the region. The revenues for the AB1107 fund are deposited with the State of California. MTC has administrative oversight for the allocation of these funds.

The fiduciary funds financial statements are presented on page 37 of this report.

**D. Notes to the Financial Statements**

The notes to the financial statements, beginning on page 38, provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**E. Government-wide Financial Analysis**

Total government-wide assets exceeded liabilities for fiscal 2004 by \$11,134 and by \$336,399 for fiscal 2003 as illustrated in the following table. This represents a decrease in net assets for fiscal 2004 of \$325,265 and a decrease of \$247,204 for fiscal 2003.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2004 and 2003**  
**Management's Discussion and Analysis (unaudited), *continued***

*i.) Statement of Net Assets*

The following table shows the MTC's government-wide statements of net assets for the last 3 years:

Metropolitan Transportation Commission's Changes in Net Assets (\$000)									
	Governmental			Business Type			Total		
	Activities			Activities					
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Cash and investments	\$ 105,502	\$ 116,771	\$ 100,833	\$ 623,333	\$ 863,450	\$ 775,854	\$ 728,835	\$ 980,221	\$ 876,687
Receivables	13,248	29,318	43,066	18,866	37,636	44,556	32,114	66,954	87,622
Other assets	467	508	406	8,060	8,414	5,127	8,527	8,922	5,533
Loan to other agencies	47,810	39,935	32,440	4,400	2,003	2,003	52,210	41,938	34,443
Capital assets	2,945	3,146	3,466	1,741	2,137	1,274	4,686	5,283	4,740
<b>Total assets</b>	<b>169,972</b>	<b>189,678</b>	<b>180,211</b>	<b>656,400</b>	<b>913,640</b>	<b>828,814</b>	<b>826,372</b>	<b>1,103,318</b>	<b>1,009,025</b>
Long term debt, net	-	-	-	701,161	701,245	401,329	701,161	701,245	401,329
Other Liabilities	15,325	25,626	11,863	98,752	40,048	12,230	114,077	65,674	24,093
<b>Total liabilities</b>	<b>15,325</b>	<b>25,626</b>	<b>11,863</b>	<b>799,913</b>	<b>741,293</b>	<b>413,559</b>	<b>815,238</b>	<b>766,919</b>	<b>425,422</b>
Net assets:									
Invested in capital assets, net of related debt	2,946	3,146	3,466	1,886	2,137	1,274	4,832	5,283	4,740
Restricted	116,532	123,857	101,516	175,000	130,000	125,000	291,532	253,857	226,516
Unrestricted	35,169	37,049	63,366	(320,399)	40,210	288,981	(285,230)	77,259	352,347
<b>Total net assets</b>	<b>\$ 154,647</b>	<b>\$ 164,052</b>	<b>\$ 168,348</b>	<b>\$ (143,513)</b>	<b>\$ 172,347</b>	<b>\$ 415,255</b>	<b>\$ 11,134</b>	<b>\$ 336,399</b>	<b>\$ 583,603</b>

Total restricted assets increased by \$38,125 or 15.0 percent for fiscal 2004 and \$26,891 or 11.9 percent for fiscal 2003. The net increase for the year 2004 includes a \$45,000 increase from the business type activities for the bond covenant reserve requirement for the operating and maintenance reserve for the BATA bonds. The governmental activities had a decrease of \$9,851 in encumbrances during this same period. The unrestricted net assets show a total of negative \$285,230. Of this amount, negative \$345,325 is attributable to BATA, included in the business type activities.

BATA is the financing arm for the Regional Measure 1 program where the project work construction is being managed by Caltrans. To date, the debt issued for this work is \$700,000. The cash proceeds from this debt are used to reimburse Caltrans for capital construction costs. Since the bridges are not capitalized in BATA, since title remains with Caltrans, the distributions to Caltrans are creating a negative asset. BATA does not have sufficient current resources on hand to fund current and long-term liabilities; however, future toll revenues are pledged to cover debt service payments when made. This information is more fully disclosed in note 2 on page 47 of this report.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2004 and 2003**  
**Management's Discussion and Analysis (unaudited), *continued***

ii) Statement of Activities

MTC's net assets for governmental activities decreased the last two years by \$9,406 or 5.7 percent for fiscal 2004 and a \$4,296 or 2.6 percent for fiscal 2003. A breakdown of this activity is illustrated in the table below:

Metropolitan Transportation Commission's Changes in Net Assets (\$000)									
	Governmental			Business Type			Total		
	Activities			Activities					
	2004	2003	2002	2004	2003	2002	2004	2003	2002
<b>Revenues:</b>									
<b>Program revenues:</b>									
Charges for services	\$ -	\$ -	\$ -	\$ 152,937	\$ 151,914	\$ 150,128	\$ 152,937	\$ 151,914	\$ 150,128
Operating grants and contributions	49,974	48,068	47,069	6,718	7,074	7,068	56,692	55,142	54,137
Capital grants and contributions	42,344	72,345	64,472	-	-	-	42,344	72,345	64,472
<b>General revenues:</b>									
Investments earnings	1,090	1,764	4,375	11,185	25,793	45,598	12,275	27,557	49,973
<b>Total revenues</b>	<b>93,408</b>	<b>122,177</b>	<b>115,916</b>	<b>170,840</b>	<b>184,781</b>	<b>202,794</b>	<b>264,248</b>	<b>306,958</b>	<b>318,710</b>
<b>Expenses:</b>									
General government	47,238	48,571	45,895	-	-	-	47,238	48,571	45,895
Allocations to other agencies	81,873	105,152	92,787	-	-	-	81,873	105,152	92,787
Toll bridge activities	-	-	-	451,930	390,063	347,029	451,930	390,063	347,029
Congestion relief	-	-	-	10,869	10,376	9,251	10,869	10,376	9,251
Total expenses	129,111	153,723	138,682	462,799	400,439	356,280	591,910	554,162	494,962
Decrease in net assets before transfers	(35,703)	(31,546)	(22,766)	(291,959)	(215,658)	(153,486)	(327,662)	(247,204)	(176,252)
Transfers in (out)	26,298	27,250	27,013	(26,298)	(27,250)	(27,013)	-	-	-
Contributed capital	-	-	-	2,397	-	-	2,397	-	-
Increase (decrease) in net assets	(9,405)	(4,296)	4,247	(315,860)	(242,908)	(180,499)	(325,265)	(247,204)	(176,252)
Net assets Beginning	164,052	168,348	164,101	172,347	415,255	595,754	336,399	583,603	759,855
<b>Net assets Ending</b>	<b>\$ 154,647</b>	<b>\$ 164,052</b>	<b>\$ 168,348</b>	<b>\$ (143,513)</b>	<b>\$ 172,347</b>	<b>\$ 415,255</b>	<b>\$ 11,134</b>	<b>\$ 336,399</b>	<b>\$ 583,603</b>

Capital grants and contributions decreased in fiscal 2004 by \$30,001 or 41.5 percent compared to an increase in fiscal 2003 of \$7,873 or 12.2 percent. This is mainly due to the Regional Express Bus Program. The revenue in fiscal 2004 for this program was \$3,980 compared to \$34,952 for fiscal 2003 as this 40 million dollar program nears completion.

Investment earnings decreased in fiscal 2004 by \$15,282 or a 55.5 percent and decreased by \$22,416 or 44.9 percent in fiscal year 2003. This continued decline is due to cash drawdowns in the BATA operations for ongoing bridge construction.

Allocations to other agencies decreased by \$23,279 or 22.1 percent in fiscal 2004 compared to an increase in fiscal 2003 of \$12,365 or 13.3 percent. The fiscal 2004 decrease is mainly due to allocations expense in two funds. Allocations expense increased for the AB664 fund by \$13,271 and the STA fund had a decrease of \$ 30,972 for the Regional Express Bus program.

Toll bridge activities increased by \$61,867 or 15.9 percent versus an increase of \$43,034 or 12.4 percent in fiscal 2003. The fiscal 2004 toll bridge activities increase is due primarily to interest expense, and capital and operating expenses incurred by Caltrans.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2004 and 2003**  
**Management's Discussion and Analysis (unaudited), *continued***

**F. Financial Analysis of Business-Type Activities**

The following table shows the results of operations for the last three years.

<u>Business Type Funds (\$000)</u>	2004	2003	2002
Revenues:			
Toll revenues collected by Caltrans	\$ 145,176	\$ 144,200	\$ 142,337
Other operating revenues	7,960	7,734	7,797
Total revenues	153,136	151,934	150,134
Operating expenses:			
Operating expenses incurred by Caltrans	44,456	35,717	29,277
Other operating expenses	14,442	13,495	12,408
Total operating expenses	58,898	49,212	41,685
Operating income/(loss)	94,238	102,722	108,449
Non-operating revenues/(expenses)			
Interest income	11,185	25,697	45,532
Interest expense	(26,663)	(20,441)	(13,358)
Other	6,518	7,150	7,128
	(8,960)	12,406	39,302
Income before operating and capital transfers	85,278	115,128	147,751
Transfers	(26,298)	(27,250)	(27,012)
Net income before capital transfers	58,980	87,878	120,739
Distributions/Contributions	(377,237)	(330,786)	(301,238)
Net assets before capital contribution	(318,257)	(242,908)	(180,499)
Contributed capital	2,397	-	-
Change in net assets	(315,860)	(242,908)	(180,499)
Total net assets - beginning	172,347	415,255	595,754
Total net assets - ending	\$ (143,513)	\$ 172,347	\$ 415,255

Toll revenue for the seven bridges increased nominally for the last two years. It increased by \$976 or .7 percent in fiscal 2004 compared to \$1,863 or 1.3 percent for the fiscal 2003. The increase for both years resulted from a nominal increase in vehicle traffic. See schedules 7-15 of this report for more detail on toll revenue by bridge and vehicle count.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2004 and 2003**  
**Management's Discussion and Analysis (unaudited), *continued***

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Operating expenses incurred by Caltrans increased for both years. The increase for the fiscal year 2004 was \$8,739 or 24.5 percent while the increase for fiscal year 2003 was \$6,440 or 22.0 percent. The increase in fiscal 2004 was due to several cost factors. Caltrans had to pay for overtime to toll collectors due to a hiring freeze by the State. Maintenance costs increased due to the warranty expiring on the ETC center. An additional amount of \$478 of costs is related to operating the ETC Center for GGBHTD. This amount is offset in other operating revenue as a reimbursement from GGBHTD for these costs.

Interest income decreased the last two years by \$14,512 or 56.5 percent for fiscal 2004 and by \$19,835 or 43.6 percent for fiscal 2003. This is expected due to a reduction in cash balances due to the ongoing bridge construction. The cash balance will be increased by 300 million upon the last debt issuance for the RM 1 program in the fall of 2004.

Interest expense increased the last two years. It increased by \$6,222 or 30.4 percent for fiscal 2004 and \$7,083 or 53.0 percent in fiscal year 2003. The fiscal 2004 increase is due primarily to the interest expense on the Series 2003 bonds. The interest expense in fiscal 2004 for the Series 2003 bonds was \$9,486 and it was \$3,288 in fiscal 2003. Fiscal year 2004 included a full year's worth of interest on these bonds and fiscal 2003 had 4 months of interest as this debt was issued in March 2003.

**G. Financial Analysis of Governmental Activities**

The fund balance of the MTC governmental funds was \$103,928 and \$121,027 for fiscal years 2004 and 2003 respectively, as reported under the modified accrual basis of accounting. The fund balance includes reserved and unreserved funds. Of the fund balance, an amount of \$51,490 is reserved for encumbrances for fiscal 2004 and \$61,340 for fiscal 2003. A reserve of \$31,072 and \$35,601 for fiscal 2004 and 2003, respectively, is to be used for purposes specific to the special revenue funds. An amount of \$17,233 of the fund balance for 2004 and \$22,133 for 2003 has been reserved for specific Commission or other legal purposes. The remaining balance of \$4,133 for 2004 and \$1,953 for 2003 represents unreserved funds available for appropriation at the government's discretion.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2004 and 2003**  
**Management's Discussion and Analysis (unaudited), *continued***

The following table illustrates the revenues and expenditures for the past two fiscal years. Refer to page 21 for a reconciliation between the governmental funds to the Statement of Activities.

	<u>Governmental Funds (\$000)</u>		
	2004	2003	2002
Revenues:			
Sales taxes	\$ 9,088	\$ 8,903	\$ 9,327
Grants- Federal	30,979	28,129	24,334
Grants- State and other agencies	52,251	83,381	77,881
Investment income	1,090	1,764	4,374
Total revenues	93,408	122,177	115,916
Expenditures:			
Current:			
General government	44,958	48,211	45,502
Allocations to other agencies	91,681	112,648	100,528
Capital outlay	166	56	209
Total expenditures	136,805	160,915	146,239
Transfers in	26,298	27,250	27,013
Net change in fund balance	(17,099)	(11,488)	(3,310)
Fund balance - beginning	121,027	132,515	135,825
Fund balance - ending	\$ 103,928	\$ 121,027	\$ 132,515

MTC's sales tax revenue increased after two declining years, with fiscal 2001 being at a record high. The increase for fiscal 2004 was \$185 or 2.1 percent whereas fiscal 2003 had a decrease of \$424 or 4.5 percent. The decrease in state and other agencies revenue was \$31,130 or 37.3 percent for fiscal 2004. There was an increase in fiscal 2003 of \$5,500 or 7.1 percent. The forty million dollar Express Bus Program had revenue of \$3,980 in fiscal 2004 and revenue of \$34,952 for fiscal 2003.

Total expenditures decreased in fiscal 2004 by \$24,110 or 15.0 percent and increased in fiscal 2003 by \$14,676 or 10.0 percent. Allocations to other agencies decreased in 2004 by \$20,967 which was due primarily to two programs. First, allocations to other agencies decreased in fiscal 2004 by \$30,972 for the Express Bus Program. Second, the AB664 fund had an increase in allocations to other agencies of \$13,271.

Unreserved fund balances covered the deficits for fiscal years 2004 and 2003.

**H. General Fund**

The final fiscal year 2004 general fund revenue budget for MTC for the year was \$69,755, an increase of \$31,899 over the original budget adopted on July 1, 2003.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2004 and 2003**  
**Management's Discussion and Analysis (unaudited), *continued***

The following provides a condensed view of the final budgeted results compared to actual results for the year ended June 30, 2004.

	<u>General Fund Budget</u>			
	Adopted Budget	Final Budget	Actual	Variance
Revenues	\$ 37,866	\$ 69,755	\$ 48,756	\$ 20,999
Expenditures	40,305	79,840	54,926	24,914
Excess/(Deficiency)	(2,439)	(10,085)	(6,170)	(3,915)
Transfer in	1,673	6,009	3,401	2,608
Net change in fund balance	(766)	(4,076)	(2,769)	(1,307)
Fund balance - beginning	27,212	27,212	27,212	-
Fund balance - ending	\$ 26,446	\$ 23,136	\$ 24,443	\$ (1,307)

The principal reason for the increase in the final budget from the adopted budget was due to a carryover of prior year funding.

The expenditures in the final budget increased over the adopted budget due to prior year encumbrances being brought forward.

MTC's federal and state funding sources are on a reimbursement basis so it is not unusual for revenue to lag behind the budget. Expenditures were also well below budget, with a net deficit of \$2,769 after transfers.

The general fund's fund balance decreased by \$2,769 at June 30, 2004 due to an increase in general government expenditures.

**I. Fiduciary Funds**

The following table illustrates the results of the fiduciary funds for the past three fiscal years.

	Fiduciary Funds (\$000)					
	<u>TDA Fund</u>		<u>AB1107 Fund</u>			
	2004	2003	2002	2004	2003	2002
Additions:						
Local Transportation Fund	\$ 259,643	\$ 254,381	\$ 266,473	\$ -	\$ -	\$ -
AB1107 Fees	-	-	-	56,937	55,819	57,601
Investment Income	1,326	1,908	3,763	126	121	755
Total Revenues	260,969	256,289	270,236	57,063	55,940	58,356
Deductions:						
Allocations	247,706	231,734	325,552	57,053	64,820	61,957
Administrative Expenses	9,889	9,712	10,185	-	-	-
Total Expenditures	257,595	241,446	335,737	57,053	64,820	61,957
Net of Additions over (under)						
Deductions	\$ 3,374	\$ 14,843	\$ (65,501)	\$ 10	\$ (8,880)	\$ (3,601)

## **Metropolitan Transportation Commission Financial Statements for the years ended June 30, 2004 and 2003 Management's Discussion and Analysis (unaudited), *continued***

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The sales tax revenue increased by a \$5,262 or 2.1 percent increase in fiscal 2004 year as compared with \$12,092 or 4.5 percent decrease for the fiscal 2003 year. The region's sales tax revenue increased after two years of decline following the record sales tax revenue in 2001. The increase in allocations expense for fiscal 2004 by \$15,972 or 6.9 percent is attributable to an increase in the sales tax revenue and some of the reserves being used for five of the nine counties as shown on Schedule 17 of this report. Sales tax revenue for the AB1107 fund increased by a \$1,118 or 2.0 percent in fiscal 2004 compared to a decrease of \$1,782 or 3.1 percent from fiscal 2003.

### **J. Capital Asset Administration**

MTC's investment in capital assets for all funds, governmental and proprietary is \$4,686 for fiscal 2004 and \$5,283 for fiscal 2003 as reported under the accrual basis of accounting. This investment in capital assets includes furniture and equipment, as well as improvements to the SAFE Callbox system. Total purchases for fiscal 2004 were \$181 as compared to \$1,393 for fiscal 2003. There were \$1,337 of callboxes purchased in fiscal 2003 for the San Mateo-Hayward Bridge after completion of the bridge widening project. Assets relating to the seven state-owned bridges administered by BATA are recorded with Caltrans.

Additional information on the MTC's capital assets is disclosed in note 4 on pages 50-51 of this report.

### **K. Long-Term Debt Administration**

The only long-term debt issued by MTC is \$700 million (actual dollars) in bridge toll revenue bonds issued by BATA as part of its \$2.1 billion (actual dollars) RM-1 bridge construction and rehabilitation program. The following is a summary of the debt and interest rate swap transactions in place at June 30, 2004. All values are in actual dollars:

In January 2001, BATA completed the first \$400 million phase of a planned \$1 billion dollar construction funding program. The 2001 financing consisted of \$300 million variable rate debt with \$100 million in fixed rate debt. The floating rate bonds have a final maturity of 2036 and the fixed rate bonds have a final maturity of 2018.

In May 2001, BATA completed a \$300 million, 35 year, floating-to-fixed rate swap with three counter-parties: AMBAC-FS LLP – \$150 million, CitiCorp and Morgan Stanley – \$75 million each. BATA pays a fixed rate (ranging from 4.09% to 4.12%) and receives the actual variable rate payment for years 1 through 4 and a rate based on 65% of LIBOR in years five through 2036, the remaining term of the original financing. The AMBAC-FS LLP transaction is insured as to BATA and AMBAC-FS LLP (counter-party) default by a policy underwritten by AMBAC-Assurance Corporation.

In May 2002, BATA also completed a contract with AMBAC Financial Services to swap a future \$200 million floating rate issue to a synthetic fixed rate. The \$200 million in variable rate demand obligation bonds (VRDO) was subsequently issued in March 2003. BATA will pay a fixed payment of 4.14% and receive a floating rate payment based on 65% of the weekly LIBOR index. The transaction is insured against default, for BATA and the counter-party, by AMBAC Assurance Corporation.

**Metropolitan Transportation Commission  
Financial Statements for the years ended June 30, 2004 and 2003  
Management's Discussion and Analysis (unaudited), *continued***

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BATA maintains long and short-term ratings from Standard & Poor's, Fitch Ratings, as well as Moody's Investors Services. At June 30, 2004, the long term ratings are:

Standard & Poor's	AA/A1
Moody's	Aa3
Fitch	AA/F1+

In addition, both the 2001 and 2003 variable rate demand bonds carry the AAA /Aaa /AAA ratings of Standard & Poor's, Moody's and Fitch respectively by virtue of the insurance policy written by AMBAC Assurance.

Additional information on MTC's long-term debt can be found in note 5 on pages 52-58 of this report.

**L. Economic Factors Impacting MTC**

A general economic slowdown, which began in fiscal year 2001 continues to impact the Bay Area and transportation capacity. General factors include:

- The Bay Area job market continues to suffer from the high-tech bust, with a more solid job market in Sacramento and parts of Southern California.
- There was a slight increase in sales tax revenue. Region-wide revenue increased after two straight declining years. Sales tax revenue for fiscal 2004 increased in seven of the nine counties, and two of the other counties had relatively minor decreases from fiscal 2003.
- While federal funding has not decreased with the economic slowdown, MTC faces reauthorization of TEA 21 (renamed SAFETEA), which should increase the federal funding to MTC. This reauthorization bill has been postponed until fall 2004.
- Interest rates remained at low levels drastically reducing any potential investment earnings as a revenue source.

While these factors are critical to the region-wide transportation planning and funding which is MTC's principal task, these factors are not expected to significantly impact MTC operations nor the operations of SAFE or BATA.

**Requests for information**

This financial report is designed to provide a general overview of the Metropolitan Transportation Commission's financial position for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Metropolitan Transportation Commission, 101 8<sup>th</sup> Street, Oakland, Ca 94607.

**Metropolitan Transportation Commission**  
**Statement of Net Assets**  
**June 30, 2004**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents - unrestricted	\$ 94,246,939	\$ 235,335,220	\$ 329,582,159
Cash and cash equivalents - restricted	1,126,154	-	1,126,154
Investments - unrestricted	10,128,859	212,998,032	223,126,891
Investments - restricted	-	175,000,000	175,000,000
Receivables:			
Accounts and tolls due	17,934	8,581,367	8,599,301
Interest	82,798	4,107,673	4,190,471
State funding	3,399,493	2,209,916	5,609,409
Federal funding	8,454,523	-	8,454,523
Maintenance funding	-	3,966,913	3,966,913
Indirect cost recovery	1,293,297	-	1,293,297
Prepaid items	465,821	394,946	860,767
Bond issuance costs	-	7,665,109	7,665,109
Loan to other agencies	47,810,000	4,400,000	52,210,000
Capital assets (net of accumulated depreciation)	2,945,486	1,740,928	4,686,414
Total assets	169,971,304	656,400,104	826,371,408
<b>Liabilities</b>			
Accounts payable and other current liabilities	12,035,980	2,069,258	14,105,238
Accrued liabilities	2,330,613	3,994,104	6,324,717
Due to / (from) other funds	(145,915)	145,915	-
Due to Caltrans	1,067,543	92,542,967	93,610,510
Noncurrent liabilities:			
Long-term capital leases:			
Due within one year	21,463	-	21,463
Due in more than one year	14,982	-	14,982
Long-term debt, net	-	701,160,994	701,160,994
Total liabilities	15,324,666	799,913,238	815,237,904
<b>Net Assets / (Deficit)</b>			
Invested in capital assets, net of related debt	2,945,486	1,885,998	4,831,484
Restricted for:			
Capital projects	51,489,473	-	51,489,473
Other purposes	65,042,525	175,000,000	240,042,525
Unrestricted	35,169,154	(320,399,132)	(285,229,978)
Total net assets / (deficit)	\$ 154,646,638	\$(143,513,134)	\$ 11,133,504

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Net Assets**  
**June 30, 2003**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents - unrestricted	\$ 96,454,953	\$ 390,384,373	\$ 486,839,326
Cash and cash equivalents - restricted	5,187,787	-	5,187,787
Investments - unrestricted	15,128,313	343,065,198	358,193,511
Investments - restricted	-	130,000,000	130,000,000
Receivables:			
Accounts and tolls due	387,647	3,727,415	4,115,062
Interest	116,846	6,675,929	6,792,775
State funding	19,673,235	8,109,760	27,782,995
Federal funding	7,437,686	1,346,090	8,783,776
Maintenance funding	-	17,776,724	17,776,724
Indirect cost recovery	1,702,560	-	1,702,560
Prepaid items	508,682	490,347	999,029
Bond issuance costs	-	7,924,365	7,924,365
Loan to other agencies	39,935,000	2,002,933	41,937,933
Capital assets (net of accumulated depreciation)	3,145,598	2,137,004	5,282,602
Total assets	189,678,307	913,640,138	1,103,318,445
<b>Liabilities</b>			
Accounts payable and other current liabilities	19,853,439	1,408,241	21,261,680
Accrued liabilities	5,671,046	3,125,914	8,796,960
Due to/(from) other funds	46,356	(46,356)	-
Due to Caltrans	-	35,560,472	35,560,472
Noncurrent liabilities:			
Long-term capital leases:			
Due within one year	24,476	-	24,476
Due in more than one year	30,521	-	30,521
Long-term debt, net	-	701,244,921	701,244,921
Total liabilities	25,625,838	741,293,192	766,919,030
<b>Net Assets</b>			
Invested in capital assets, net of related debt	3,145,598	2,137,004	5,282,602
Restricted for:			
Capital projects	61,339,974	-	61,339,974
Other purposes	62,068,118	130,000,000	192,068,118
Unrestricted	37,498,779	40,209,942	77,708,721
Total net assets	\$ 164,052,469	\$ 172,346,946	\$ 336,399,415

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Activities**  
**For the Year Ended June 30, 2004**

	Expenses	Primary Revenues			Net (Expense) Revenue and Changes in Net Assets Primary Government			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Governmental Activities	Business-type Activities	Total
<b>Functions</b>								
<i>Governmental Activities:</i>								
General government	\$ 47,237,837	-	\$ 46,497,074	\$ -	\$ 46,497,074	\$ (740,763)	\$ -	\$ (740,763)
Transportation	81,873,193	-	3,476,702	42,343,900	45,820,602	(36,052,591)	-	(36,052,591)
Total governmental activities	129,111,030	-	49,973,776	42,343,900	92,317,676	(36,793,354)	-	(36,793,354)
<i>Business-type Activities:</i>								
Toll bridge activities	451,929,596	147,097,872	478,047	-	147,575,919	-	(304,353,677)	(304,353,677)
Congestion relief	10,869,417	5,839,026	6,239,872	-	12,078,898	-	1,209,481	1,209,481
Total business-type activities	462,799,013	152,936,898	6,717,919	-	159,654,817	-	(303,144,196)	(303,144,196)
Total primary government	\$ 591,910,043	\$ 152,936,898	\$ 56,691,695	\$ 42,343,900	\$ 251,972,493	(36,793,354)	(303,144,196)	(339,937,550)
General revenues:								
Unrestricted investment earnings						1,089,784	11,184,788	12,274,572
Contributed Capital						-	2,397,067	2,397,067
Transfers						26,297,739	(26,297,739)	-
Total general revenues and transfers						27,387,523	(12,715,884)	14,671,639
<b>Change in net assets</b>						(9,405,831)	(315,860,080)	(325,265,911)
<b>Net assets - beginning</b>						164,052,469	172,346,946	336,399,415
<b>Net assets - ending</b>						\$ 154,646,638	\$ (143,513,134)	\$ 11,133,504

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Activities**  
**For the Year Ended June 30, 2003**

	Expenses	Primary Revenues			Net (Expense) Revenue and Changes in Net Assets Primary Government			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Governmental Activities	Business-type Activities	Total
<b>Functions</b>								
<i>Governmental Activities:</i>								
General government	\$ 48,570,719	\$ -	\$ 43,404,229	\$ -	\$ 43,404,229	\$ (5,166,490)	\$ -	\$ (5,166,490)
Transportation	105,152,624	-	4,664,094	72,344,529	77,008,623	(28,144,001)	-	(28,144,001)
Total governmental activities	153,723,343	-	48,068,323	72,344,529	120,412,852	(33,310,491)	-	(33,310,491)
<i>Business-type Activities:</i>								
Toll bridge activities	390,063,272	146,105,106	305,004	-	146,410,110	-	(243,653,162)	(243,653,162)
Congestion relief	10,375,587	5,809,298	6,768,664	-	12,577,962	-	2,202,375	2,202,375
Total business-type activities	400,438,859	151,914,404	7,073,668	-	158,988,072	-	(241,450,787)	(241,450,787)
Total primary government	\$554,162,202	\$ 151,914,404	\$ 55,141,991	\$ 72,344,529	\$279,400,924	(33,310,491)	(241,450,787)	(274,761,278)
General revenues:								
Unrestricted investment earnings						1,764,255	25,793,353	27,557,608
Transfers						27,250,287	(27,250,287)	-
Total general revenues and transfers						29,014,542	(1,456,934)	27,557,608
<b>Change in net assets</b>						(4,295,949)	(242,907,721)	(247,203,670)
<b>Net assets - beginning</b>						168,348,418	415,254,667	583,603,085
<b>Net assets - ending</b>						\$164,052,469	\$172,346,946	\$336,399,415

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Balance Sheet – Governmental Funds**  
**June 30, 2004**

	MTC General	Transit Reserve	Rail Extension Reserve	AB 664 Net Toll Revenue Reserve	Exchange	STA	Feeder Bus	Total Governmental Funds
<b>Assets</b>								
Cash and cash equivalents - unrestricted	\$ 19,518,183	\$ 2,357,111	\$ 4,673,670	\$ 28,417,487	\$ 12,676,039	\$ 26,582,920	\$ 21,529	\$ 94,246,939
Cash and cash equivalents - restricted	1,126,154	-	-	-	-	-	-	1,126,154
Investments	176,859	-	-	9,952,000	-	-	-	10,128,859
Receivables:								
Accounts	17,934	-	-	-	-	-	-	17,934
Interest	633	-	100	32,065	-	50,000	-	82,798
State Funding	3,399,493	-	-	-	-	-	-	3,399,493
Federal Funding	8,454,523	-	-	-	-	-	-	8,454,523
Indirect cost recovery	1,293,297	-	-	-	-	-	-	1,293,297
Prepaid items	465,821	-	-	-	-	-	-	465,821
<b>Total assets</b>	<b>\$ 34,452,897</b>	<b>\$ 2,357,111</b>	<b>\$ 4,673,770</b>	<b>\$ 38,401,552</b>	<b>\$ 12,676,039</b>	<b>\$ 26,632,920</b>	<b>\$ 21,529</b>	<b>\$ 119,215,818</b>
<b>Liabilities and fund balances</b>								
<b>Liabilities</b>								
Accounts Payable	\$ 8,285,495	\$ 64,943	\$ -	\$ 4,543,202	\$ 74,959	\$ 134,924	\$ -	\$ 13,103,523
Accruals	2,188,600	-	200	51,408	-	90,405	-	2,330,613
Due to other funds	(463,700)	10,243	(72,091)	(26,954)	361,491	45,096	-	(145,915)
<b>Total liabilities</b>	<b>10,010,395</b>	<b>75,186</b>	<b>(71,891)</b>	<b>4,567,656</b>	<b>436,450</b>	<b>270,425</b>	<b>-</b>	<b>15,288,221</b>
<b>Fund balances</b>								
<b>Reserved for</b>								
Encumbrances	3,076,847	2,143,967	1,284,194	32,240,097	7,932,966	4,811,402	-	51,489,473
Other	17,232,525	-	-	-	-	-	-	17,232,525
<b>Unreserved, reported in</b>								
General fund	4,133,130	-	-	-	-	-	-	4,133,130
Special revenue funds	-	137,958	3,461,467	1,593,799	4,306,623	21,551,093	21,529	31,072,469
<b>Total fund balances</b>	<b>24,442,502</b>	<b>2,281,925</b>	<b>4,745,661</b>	<b>33,833,896</b>	<b>12,239,589</b>	<b>26,362,495</b>	<b>21,529</b>	<b>103,927,597</b>
<b>Total liabilities and fund balances</b>	<b>\$ 34,452,897</b>	<b>\$ 2,357,111</b>	<b>\$ 4,673,770</b>	<b>\$ 38,401,552</b>	<b>\$ 12,676,039</b>	<b>\$ 26,632,920</b>	<b>\$ 21,529</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	2,945,486
Capital leases are not due and payable in the current period and therefore are not reported in the funds	(36,445)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	47,810,000
<b>Net assets of governmental activities</b>	<b>\$ 154,646,638</b>

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Balance Sheet – Governmental Funds**  
**June 30, 2003**

	MTC General	Transit Reserve	Rail Extension Reserve	AB 664 Net Toll Revenue Reserve	Exchange	STA	Feeder Bus	Total Governmental Funds
<b>Assets</b>								
Cash and cash equivalents - unrestricted	\$ 25,545,901	\$ 3,116,633	\$ 5,516,897	\$ 30,944,885	\$ 13,415,331	\$ 17,839,836	\$ 75,470	\$ 96,454,953
Cash and cash equivalents - restricted	5,187,787	-	-	-	-	-	-	5,187,787
Investments	147,313	-	-	14,981,000	-	-	-	15,128,313
Receivables:								
Accounts	31,020	-	-	-	-	-	356,627	387,647
Interest	30,000	-	5,414	29,432	-	52,000	-	116,846
State Funding	2,564,690	-	-	-	-	17,108,545	-	19,673,235
Federal Funding	7,437,686	-	-	-	-	-	-	7,437,686
Indirect cost recovery	1,702,560	-	-	-	-	-	-	1,702,560
Prepaid items	508,682	-	-	-	-	-	-	508,682
<b>Total assets</b>	<b>\$ 43,155,639</b>	<b>\$ 3,116,633</b>	<b>\$ 5,522,311</b>	<b>\$ 45,955,317</b>	<b>\$ 13,415,331</b>	<b>\$ 35,000,381</b>	<b>\$ 432,097</b>	<b>\$ 146,597,709</b>
<b>Liabilities and fund balances</b>								
<b>Liabilities</b>								
Accounts Payable	\$ 8,843,139	\$ 169,121	\$ -	\$ 509,945	\$ 110,485	\$ 5,008,912	\$ -	\$ 14,641,602
Accruals	2,129,138	-	126	959	-	3,540,823	-	5,671,046
Due to other funds	(240,626)	5,949	(85,098)	(113,414)	37,532	442,013	-	46,356
Other	5,211,837	-	-	-	-	-	-	5,211,837
<b>Total liabilities</b>	<b>15,943,488</b>	<b>175,070</b>	<b>(84,972)</b>	<b>397,490</b>	<b>148,017</b>	<b>8,991,748</b>	<b>-</b>	<b>25,570,841</b>
<b>Fund balances</b>								
<b>Reserved for</b>								
Encumbrances	3,126,010	2,476,513	2,276,406	35,731,467	7,577,393	9,867,673	284,512	61,339,974
Other	22,133,118	-	-	-	-	-	-	22,133,118
<b>Unreserved, reported in</b>								
General fund	1,953,023	-	-	-	-	-	-	1,953,023
Special revenue funds	-	465,050	3,330,877	9,826,360	5,689,921	16,140,960	147,585	35,600,753
<b>Total fund balances</b>	<b>27,212,151</b>	<b>2,941,563</b>	<b>5,607,283</b>	<b>45,557,827</b>	<b>13,267,314</b>	<b>26,008,633</b>	<b>432,097</b>	<b>121,026,868</b>
<b>Total liabilities and fund balances</b>	<b>\$ 43,155,639</b>	<b>\$ 3,116,633</b>	<b>\$ 5,522,311</b>	<b>\$ 45,955,317</b>	<b>\$ 13,415,331</b>	<b>\$ 35,000,381</b>	<b>\$ 432,097</b>	
Amounts reported for governmental activities in the statement of net assets are different because:								
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds								3,145,598
Capital leases are not due and payable in the current period and therefore are not reported in the funds								(54,997)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds								39,935,000
<b>Net assets of governmental activities</b>								<b>\$ 164,052,469</b>

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds**  
**For the Year Ended June 30, 2004**

	<u>General</u>	<u>Transit Reserve</u>	<u>Rail Extension Reserve</u>	<u>AB664 Net Toll Revenue Reserve</u>	<u>Exchange</u>	<u>STA</u>	<u>Feeder Bus</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>								
Sales taxes	\$ 9,087,510	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,087,510
Grants - Federal	30,979,398	-	-	-	-	-	-	30,979,398
Grants - State	4,607,302	2,849,504	-	-	-	38,363,796	-	45,820,602
Project grants from local agencies	3,930,166	-	-	-	-	-	2,500,000	6,430,166
Investment income	151,394	38,991	100,901	469,466	111,750	214,226	3,056	1,089,784
<b>Total revenues</b>	<b>48,755,770</b>	<b>2,888,495</b>	<b>100,901</b>	<b>469,466</b>	<b>111,750</b>	<b>38,578,022</b>	<b>2,503,056</b>	<b>93,407,460</b>
<b>Expenditures</b>								
Current:								
General government	44,952,850	-	931	4,085	-	-	-	44,957,866
Allocations to other agencies	9,807,399	4,537,208	10,992,212	24,481,428	330,123	38,618,599	2,913,624	91,680,593
Capital outlay	166,011	-	-	-	-	-	-	166,011
<b>Total expenditures</b>	<b>54,926,260</b>	<b>4,537,208</b>	<b>10,993,143</b>	<b>24,485,513</b>	<b>330,123</b>	<b>38,618,599</b>	<b>2,913,624</b>	<b>136,804,470</b>
Excess / (deficiency) of revenues over / (under) expenditures	(6,170,490)	(1,648,713)	(10,892,242)	(24,016,047)	(218,373)	(40,577)	(410,568)	(43,397,010)
<b>Other financing sources / uses</b>								
Transfers in	6,257,551	989,075	10,030,620	12,292,116	-	394,439	-	29,963,801
Transfers out	(2,856,710)	-	-	-	(809,352)	-	-	(3,666,062)
<b>Total other financing sources and uses</b>	<b>3,400,841</b>	<b>989,075</b>	<b>10,030,620</b>	<b>12,292,116</b>	<b>(809,352)</b>	<b>394,439</b>	<b>-</b>	<b>26,297,739</b>
<b>Net change in fund balances</b>	<b>(2,769,649)</b>	<b>(659,638)</b>	<b>(861,622)</b>	<b>(11,723,931)</b>	<b>(1,027,725)</b>	<b>353,862</b>	<b>(410,568)</b>	<b>(17,099,271)</b>
<b>Fund balances - beginning</b>	<b>27,212,151</b>	<b>2,941,563</b>	<b>5,607,283</b>	<b>45,557,827</b>	<b>13,267,314</b>	<b>26,008,633</b>	<b>432,097</b>	<b>121,026,868</b>
<b>Fund balances - ending</b>	<b>\$ 24,442,502</b>	<b>\$ 2,281,925</b>	<b>\$ 4,745,661</b>	<b>\$ 33,833,896</b>	<b>\$ 12,239,589</b>	<b>\$ 26,362,495</b>	<b>\$ 21,529</b>	<b>\$ 103,927,597</b>

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds**  
**For the Year Ended June 30, 2003**

	<u>General</u>	<u>Transit Reserve</u>	<u>Rail Extension Reserve</u>	<u>AB664 Net Toll Revenue Reserve</u>	<u>Exchange</u>	<u>STA</u>	<u>Feeder Bus</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>								
Sales taxes	\$ 8,903,326	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,903,326
Grants - Federal	28,128,978	-	-	-	-	-	-	28,128,978
Grants - State	36,795,447	2,821,000	-	-	-	37,392,176	-	77,008,623
Project grants from local agencies	3,874,353	-	-	-	-	-	2,497,571	6,371,924
Investment income	359,767	29,471	166,256	621,240	108,757	452,808	25,956	1,764,255
<b>Total revenues</b>	<b>78,061,871</b>	<b>2,850,471</b>	<b>166,256</b>	<b>621,240</b>	<b>108,757</b>	<b>37,844,984</b>	<b>2,523,527</b>	<b>122,177,106</b>
<b>Expenditures</b>								
Current:								
General government	48,206,145	-	1,033	4,435	-	-	-	48,211,613
Allocations to other agencies	39,946,631	4,814,154	10,584,209	11,210,000	457,823	43,491,600	2,143,206	112,647,623
Capital outlay	55,795	-	-	-	-	-	-	55,795
<b>Total expenditures</b>	<b>88,208,571</b>	<b>4,814,154</b>	<b>10,585,242</b>	<b>11,214,435</b>	<b>457,823</b>	<b>43,491,600</b>	<b>2,143,206</b>	<b>160,915,031</b>
Excess / (deficiency) of revenues over / (under) expenditures	(10,146,700)	(1,963,683)	(10,418,986)	(10,593,195)	(349,066)	(5,646,616)	380,321	(38,737,925)
<b>Other financing sources / uses</b>								
Transfers in	8,125,213	999,088	9,972,589	12,280,679	-	-	-	31,377,569
Transfers out	-	-	-	-	(91,689)	(4,035,593)	-	(4,127,282)
<b>Total other financing sources and uses</b>	<b>8,125,213</b>	<b>999,088</b>	<b>9,972,589</b>	<b>12,280,679</b>	<b>(91,689)</b>	<b>(4,035,593)</b>	<b>-</b>	<b>27,250,287</b>
<b>Net change in fund balances</b>	<b>(2,021,487)</b>	<b>(964,595)</b>	<b>(446,397)</b>	<b>1,687,484</b>	<b>(440,755)</b>	<b>(9,682,209)</b>	<b>380,321</b>	<b>(11,487,638)</b>
<b>Fund balances - beginning</b>	<b>29,233,638</b>	<b>3,906,158</b>	<b>6,053,680</b>	<b>43,870,343</b>	<b>13,708,069</b>	<b>35,690,842</b>	<b>51,776</b>	<b>132,514,506</b>
<b>Fund balances - ending</b>	<b>\$ 27,212,151</b>	<b>\$ 2,941,563</b>	<b>\$ 5,607,283</b>	<b>\$ 45,557,827</b>	<b>\$ 13,267,314</b>	<b>\$ 26,008,633</b>	<b>\$ 432,097</b>	<b>\$ 121,026,868</b>

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances – Governmental Funds to the Statement of Activities**  
**For the Years Ended June 30, 2004 and 2003**

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	2004	2003
<b>Net change in fund balances - total governmental funds (per Statement of Revenues, Expenditure and Changes in Fund Balances)</b>	\$ (17,099,271)	\$ (11,487,638)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded non capital lease capital outlays in the current period	(200,112)	(317,193)
Proceeds from the sale of capital assets provide financial resources to governmental funds while only the gain on the sale of the capital asset is reported in the statement of activities. Therefore, the change in net assets differs from the change in fund balance by the cost of the capital asset sold.	-	(3,060)
The loan receivable from another agency is not recorded as a long-term asset in the governmental funds. Additional loan advances forwarded to the agency during the fiscal year are expensed in the governmental fund but are capitalized as a long-term asset in the statement of net assets. These amounts represents fiscal 2004 and 2003 loan advances, respectively.	7,875,000	7,495,000
Principal repayment on capital leases in an expenditure in the governmental funds, however the principal element of the repayment reduces long-term liabilities in the statement of net assets. This amount is the effect of the differing treatment of capital lease principal repayment.	18,552	16,942
<b>Change in net assets of governmental activities (per Statement of Activities)</b>	<u>\$ (9,405,831)</u>	<u>\$ (4,295,949)</u>

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission  
Statement of Revenues, Expenditures and Changes  
in Fund Balances – Budget and Actual – General Fund  
For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>Revenues</b>				
Sales taxes for planning activities	\$ 9,185,279	\$ 9,185,279	\$ 9,087,510	\$ (97,769)
Grants - Federal	19,900,536	45,905,775	30,979,398	(14,926,377)
Grants - State	3,409,606	8,151,297	4,607,302	(3,543,995)
Project grants from state and local agencies	2,976,228	3,627,467	3,930,166	302,699
Investment income	600,000	600,000	151,394	(448,606)
Other	1,794,450	2,284,542	-	(2,284,542)
<b>Total revenues</b>	<b>37,866,099</b>	<b>69,754,360</b>	<b>48,755,770</b>	<b>(20,998,590)</b>
<b>Expenditures</b>				
Current:				
General government	34,100,525	69,262,588	44,952,850	24,309,738
Allocations to other agencies	5,679,434	9,952,452	9,807,399	145,053
Capital outlay	525,000	625,000	166,011	458,989
<b>Total expenditures</b>	<b>40,304,959</b>	<b>79,840,040</b>	<b>54,926,260</b>	<b>24,913,780</b>
Deficiency of revenues under expenditures	(2,438,860)	(10,085,680)	(6,170,490)	3,915,190
<b>Other financing sources</b>				
Transfers in	1,672,597	6,009,492	3,400,841	(2,608,651)
<b>Net change in fund balances</b>	<b>(766,263)</b>	<b>(4,076,188)</b>	<b>(2,769,649)</b>	<b>1,306,539</b>
<b>Fund balances - beginning</b>	<b>27,212,151</b>	<b>27,212,151</b>	<b>27,212,151</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ 26,445,888</b>	<b>\$ 23,135,963</b>	<b>\$ 24,442,502</b>	<b>\$ 1,306,539</b>

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balances – Budget and Actual – Transit Reserve Fund**  
**For the year ended June 30, 2004**

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	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Project grants from state and local agencies	\$ 2,849,503	\$ 2,849,503	\$ 2,849,504	\$ 1
Investment income	-	-	38,991	38,991
Total revenues	2,849,503	2,849,503	2,888,495	38,992
<b>Expenditures</b>				
Current:				
Allocations to other agencies	3,848,821	6,434,955	4,537,208	1,897,747
Deficiency of revenues under expenditures	(999,318)	(3,585,452)	(1,648,713)	1,936,739
<b>Other financing sources</b>				
Transfers in	999,318	999,318	989,075	(10,243)
<b>Net change in fund balances</b>	-	(2,586,134)	(659,638)	1,926,496
<b>Fund balances - beginning</b>	2,941,563	2,941,563	2,941,563	-
<b>Fund balances - ending</b>	\$ 2,941,563	\$ 355,429	\$ 2,281,925	\$ 1,926,496

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission  
Statement of Revenues, Expenditures and Changes  
in Fund Balances – Budget and Actual – Rail Extension Reserve Fund  
For the year ended June 30, 2004**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 100,901	\$ 100,901
Total revenues	-	-	100,901	100,901
<b>Expenditures</b>				
Current:				
General Government	-	-	931	(931)
Allocations to other agencies	9,958,529	12,234,935	10,992,212	1,242,723
Total expenditures	9,958,529	12,234,935	10,993,143	1,241,792
Deficiency of revenues under expenditures	(9,958,529)	(12,234,935)	(10,892,242)	1,342,693
<b>Other financing sources</b>				
Transfers in	9,958,529	9,958,529	10,030,620	72,091
<b>Net change in fund balances</b>	-	(2,276,406)	(861,622)	1,414,784
<b>Fund balances - beginning</b>	5,607,283	5,607,283	5,607,283	-
<b>Fund balances - ending</b>	\$ 5,607,283	\$ 3,330,877	\$ 4,745,661	\$ 1,414,784

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balances – Budget and Actual – AB664 Net Toll Revenue Reserve Fund**  
**For the Year Ended June 30, 2004**

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	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 469,466	\$ 469,466
Total Revenues	-	-	469,466	469,466
<b>Expenditures</b>				
Current:				
General government	-	-	4,085	(4,085)
Allocations to other agencies	12,265,162	47,996,629	24,481,428	23,515,201
Total expenditures	12,265,162	47,996,629	24,485,513	23,511,116
Deficiency of revenues under expenditures	(12,265,162)	(47,996,629)	(24,016,047)	23,980,582
<b>Other financing sources</b>				
Transfers in	12,265,162	12,265,162	12,292,116	26,954
<b>Net change in fund balances</b>	-	(35,731,467)	(11,723,931)	24,007,536
<b>Fund balances - beginning</b>	45,557,827	45,557,827	45,557,827	-
<b>Fund balances - ending</b>	\$ 45,557,827	\$ 9,826,360	\$ 33,833,896	\$ 24,007,536

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission  
Statement of Revenues, Expenditures and Changes  
in Fund Balances – Budget and Actual – Exchange Fund  
For the year ended June 30, 2004**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 111,750	\$ 111,750
Total revenues	-	-	111,750	111,750
<b>Expenditures</b>				
Current:				
Allocations to other agencies	\$ -	8,777,393	330,123	8,447,270
Excess / (deficiency) of revenues over / (under) expenditures	-	(8,777,393)	(218,373)	8,559,020
<b>Other financing sources / (uses)</b>				
Transfers (out) / in	-	-	(809,352)	(809,352)
<b>Net change in fund balances</b>	-	(8,777,393)	(1,027,725)	7,749,668
<b>Fund balances - beginning</b>	13,267,314	13,267,314	13,267,314	-
<b>Fund balances - ending</b>	\$ 13,267,314	\$ 4,489,921	\$ 12,239,589	\$ 7,749,668

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission  
Statement of Revenues, Expenditures and Changes  
in Fund Balances – Budget and Actual – STA Fund  
For the Year Ended June 30, 2004**

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	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>Revenues</b>				
Project grants from state and local agencies	\$ 37,952,812	\$ 38,363,793	\$ 38,363,796	\$ 3
Investment income	-	148,362	214,226	65,864
Total revenues	37,952,812	38,512,155	38,578,022	65,867
<b>Expenditures</b>				
Current:				
Allocations to other agencies	56,345,038	63,006,616	38,618,599	24,388,017
Excess (deficiency) of revenues over (under) expenditures	(18,392,226)	(24,494,461)	(40,577)	24,453,884
<b>Other financing sources / (uses)</b>				
Transfers (out) / in	-	-	394,439	394,439
<b>Net change in fund balances</b>	(18,392,226)	(24,494,461)	353,862	24,848,323
<b>Fund balances - beginning</b>	26,008,633	26,008,633	26,008,633	-
<b>Fund balances - ending</b>	<u>\$ 7,616,407</u>	<u>\$ 1,514,172</u>	<u>\$ 26,362,495</u>	<u>\$ 24,848,323</u>

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission  
Statement of Revenues, Expenditures and Changes  
in Fund Balances – Budget and Actual – Feeder Bus Fund  
For the year ended June 30, 2004**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Project grants from state and local agencies	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ -
Investment income	26,321	26,321	3,056	(23,265)
Total revenues	2,526,321	2,526,321	2,503,056	(23,265)
<b>Expenditures</b>				
Current:				
Allocations to other agencies	2,526,321	2,526,321	2,913,624	(387,303)
Excess (deficiency) of revenues over (under) expenditures	-	-	(410,568)	(410,568)
<b>Other financing sources / (uses)</b>				
Transfers (out) / in	-	-	-	-
<b>Net change in fund balances</b>	-	-	(410,568)	(410,568)
<b>Fund balances - beginning</b>	432,097	432,097	432,097	-
<b>Fund balances - ending</b>	\$ 432,097	\$ 432,097	\$ 21,529	\$ (410,568)

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Net Assets – Proprietary Funds**  
**June 30, 2004**

	Business-type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 225,427,633	\$ 9,907,587	\$ 235,335,220
Short-term investments	89,826,820	13,238,921	103,065,741
Accrued interest	4,076,227	31,446	4,107,673
Prepaid expenses	86,773	194,550	281,323
Caltrans funding due	-	2,209,916	2,209,916
Tolls due from Caltrans	8,103,320	-	8,103,320
Funding due from local agency	478,047	-	478,047
Maintenance funding due from Caltrans	3,966,913	-	3,966,913
Prepayments to the Architectural Revolving Fund	113,623	-	113,623
Other receivables due from Caltrans	4,400,000	-	4,400,000
Total current assets	<u>336,479,356</u>	<u>25,582,420</u>	<u>362,061,776</u>
Non-current assets:			
Capital assets:			
Furniture and equipment, net of accumulated depreciation	7,670	51,876	59,546
Callboxes, net of accumulated depreciation	-	1,681,382	1,681,382
Capital assets, net	<u>7,670</u>	<u>1,733,258</u>	<u>1,740,928</u>
Non-current assets:			
Investments	109,932,291	-	109,932,291
Bond issuance costs	7,665,109	-	7,665,109
Total non-current assets	<u>117,597,400</u>	<u>-</u>	<u>117,597,400</u>
Restricted non-current assets:			
Investments	175,000,000	-	175,000,000
Total non-current assets	<u>292,605,070</u>	<u>1,733,258</u>	<u>294,338,328</u>
Total assets	<u>629,084,426</u>	<u>27,315,678</u>	<u>656,400,104</u>
<b>Liabilities</b>			
Current liabilities:			
Payable from unrestricted assets			
Accounts payable	1,104,901	893,624	1,998,525
Accrued expenses	1,027,115	32,506	1,059,621
Accrued interest payable	2,934,483	-	2,934,483
Retentions payable	59,624	11,109	70,733
Due to / (from) MTC	571,892	(425,977)	145,915
Due to Caltrans	92,542,967	-	92,542,967
Total current liabilities payable from unrestricted assets	<u>98,240,982</u>	<u>511,262</u>	<u>98,752,244</u>
Non-current liabilities:			
Long-term debt, net	701,160,994	-	701,160,994
Total liabilities	<u>799,401,976</u>	<u>511,262</u>	<u>799,913,238</u>
<b>Net assets / (deficit)</b>			
Invested in capital assets, net of related debt	7,670	1,878,328	1,885,998
Restricted net assets	175,000,000	-	175,000,000
Unrestricted net assets	<u>(345,325,220)</u>	<u>24,926,088</u>	<u>(320,399,132)</u>
Total net assets / (deficit)	<u>\$(170,317,550)</u>	<u>\$ 26,804,416</u>	<u>\$(143,513,134)</u>

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Net Assets – Proprietary Funds**  
**June 30, 2003**

	Business-type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 384,728,455	\$ 5,655,918	\$ 390,384,373
Short-term investments	149,838,096	10,256,002	160,094,098
Accrued interest	6,645,492	30,437	6,675,929
Prepaid expenses	111,360	186,477	297,837
Federal funding due	-	1,346,090	1,346,090
Caltrans funding due	-	7,935,784	7,935,784
Tolls due from Caltrans	3,727,415	-	3,727,415
Maintenance funding due from Caltrans	17,776,724	-	17,776,724
Prepayments to the Architectural Revolving Fund	192,510	-	192,510
Other receivables due from Caltrans	173,976	-	173,976
Total current assets	563,194,028	25,410,708	588,604,736
Non-current assets:			
Capital assets:			
Furniture and equipment, net of accumulated depreciation	2,037	89,447	91,484
Callboxes, net of accumulated depreciation	-	2,045,520	2,045,520
Capital assets, net	2,037	2,134,967	2,137,004
Non-current assets:			
Investments	182,971,100	-	182,971,100
Receivable due from Caltrans	2,002,933	-	2,002,933
Bond issuance costs	7,924,365	-	7,924,365
Total non-current assets	192,898,398	-	192,898,398
Restricted non-current assets:			
Investments	130,000,000	-	130,000,000
Total non-current assets	322,900,435	2,134,967	325,035,402
Total assets	886,094,463	27,545,675	913,640,138
<b>Liabilities</b>			
Current liabilities:			
Payable from unrestricted assets			
Accounts payable	207,783	1,128,455	1,336,238
Accrued expenses	66,800	190,358	257,158
Accrued interest payable	2,868,756	-	2,868,756
Retentions payable	59,624	12,379	72,003
Due to / (from) MTC	220,820	(267,176)	(46,356)
Due to Caltrans	35,560,472	-	35,560,472
Total current liabilities payable from unrestricted assets	38,984,255	1,064,016	40,048,271
Non-current liabilities:			
Long-term debt, net	701,244,921	-	701,244,921
Total liabilities	740,229,176	1,064,016	741,293,192
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,037	2,134,967	2,137,004
Restricted net assets	130,000,000	-	130,000,000
Unrestricted net assets	15,863,250	24,346,692	40,209,942
Total net assets	\$ 145,865,287	\$ 26,481,659	\$ 172,346,946

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Revenues, Expenses and Change in Net Assets – Proprietary Funds**  
**For the Year Ended June 30, 2004**

	Business-type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
<b>Operating revenues</b>			
Toll revenues collected by Caltrans	\$ 145,176,202	\$ -	\$ 145,176,202
Department of Motor Vehicles registration fees	-	5,839,026	5,839,026
Other operating revenues	1,921,670	199,245	2,120,915
Total operating revenues	147,097,872	6,038,271	153,136,143
<b>Operating expenses</b>			
Operating expenses	44,456,244	-	44,456,244
Towing contracts	-	6,936,786	6,936,786
Professional fees	1,863,054	722,339	2,585,393
Salaries and benefits	1,101,243	685,695	1,786,938
Repairs and maintenance	-	952,485	952,485
Communications charges	437	451,918	452,355
Depreciation and amortization	177,274	409,529	586,803
Other operating expenses	430,092	710,665	1,140,757
Total operating expenses	48,028,344	10,869,417	58,897,761
Operating income / (loss)	99,069,528	(4,831,146)	94,238,382
<b>Non-operating revenues / (expenses)</b>			
Interest income	11,007,091	177,697	11,184,788
Interest expense	(26,663,420)	-	(26,663,420)
Caltrans/other agency operating grants	478,047	5,884,069	6,362,116
Federal operating grants	-	156,558	156,558
Total non-operating revenues / (expenses), net	(15,178,282)	6,218,324	(8,959,958)
Income before operating and capital transfers	83,891,246	1,387,178	85,278,424
<b>Transfers</b>			
Transfers to Metropolitan Transportation Commission	(25,163,318)	(1,134,421)	(26,297,739)
Net income before capital transfers	58,727,928	252,757	58,980,685
<b>Distributions / Contributions</b>			
Distributions to Caltrans	(373,331,113)	-	(373,331,113)
Distributions to other agencies	(3,906,719)	-	(3,906,719)
Contribution between programs	(70,000)	70,000	-
Total distributions / contributions	(377,307,832)	70,000	(377,237,832)
<b>Contributed capital</b>	2,397,067	-	2,397,067
<b>Change in net assets</b>	(316,182,837)	322,757	(315,860,080)
<b>Total net assets - beginning</b>	145,865,287	26,481,659	172,346,946
<b>Total net assets / (deficit) - ending</b>	\$ (170,317,550)	\$ 26,804,416	\$ (143,513,134)

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Revenues, Expenses and Change in Net Assets – Proprietary Funds**  
**For the Year Ended June 30, 2003**

	Business-type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
<b>Operating revenues</b>			
Toll revenues collected by Caltrans	\$ 144,199,876	\$ -	\$ 144,199,876
Department of Motor Vehicles registration fees	-	5,809,298	5,809,298
Other operating revenues	1,905,230	19,172	1,924,402
Total operating revenues	146,105,106	5,828,470	151,933,576
<b>Operating expenses</b>			
Operating expenses	35,717,351	-	35,717,351
Towing contracts	-	6,821,624	6,821,624
Professional fees	2,641,139	1,277,236	3,918,375
Repairs and maintenance	791	1,232,486	1,233,277
Communications charges	6,966	414,998	421,964
Depreciation and amortization	142,585	471,964	614,549
Other operating expenses	327,761	157,279	485,040
Total operating expenses	38,836,593	10,375,587	49,212,180
Operating income / (loss)	107,268,513	(4,547,117)	102,721,396
<b>Non-operating revenues / (expenses)</b>			
Interest income	25,530,797	262,556	25,793,353
Interest expense	(20,440,983)	-	(20,440,983)
Caltrans operating grants	305,004	5,638,413	5,943,417
Federal operating grants	-	1,111,079	1,111,079
Total non-operating revenues, net	5,394,818	7,012,048	12,406,866
Income before operating and capital transfers	112,663,331	2,464,931	115,128,262
<b>Transfers</b>			
Transfers to Metropolitan Transportation Commission	(24,891,991)	(2,358,296)	(27,250,287)
Net income before capital transfers	87,771,340	106,635	87,877,975
<b>Distributions / Contributions</b>			
Distributions to Caltrans	(329,518,305)	-	(329,518,305)
Distributions to other agencies	(1,267,391)	-	(1,267,391)
Contribution between programs	(1,337,278)	1,337,278	-
Total distributions / contributions	(332,122,974)	1,337,278	(330,785,696)
<b>Change in net assets</b>	(244,351,634)	1,443,913	(242,907,721)
<b>Total net assets - beginning</b>	390,216,921	25,037,746	415,254,667
<b>Total net assets - ending</b>	\$ 145,865,287	\$ 26,481,659	\$ 172,346,946

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Cash Flows – Proprietary Funds**  
**For the Year Ended June 30, 2004**

	Business-type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
<b>Cash flows from operating activities</b>			
Cash receipts from users	\$ 140,800,297	\$ 5,839,026	\$ 146,639,323
Cash payments to suppliers for services	(58,514,978)	(11,020,715)	(69,535,693)
Other receipts	15,905,457	199,245	16,104,702
<b>Net cash provided by / (used in) operating activities</b>	<b>98,190,776</b>	<b>(4,982,444)</b>	<b>93,208,332</b>
<b>Cash flows from non-capital financing activities</b>			
Caltrans operating grants	-	11,609,937	11,609,937
Federal operating grants	-	1,502,648	1,502,648
Distributions to Caltrans for capital expenses	(303,451,618)	-	(303,451,618)
Distributions to Other Agencies	(3,906,719)	-	(3,906,719)
<b>Net cash (used in) / provided by non-capital financing activities</b>	<b>(307,358,337)</b>	<b>13,112,585</b>	<b>(294,245,752)</b>
<b>Cash flows from capital and related financing activities</b>			
Interest paid on bonds & capital leases	(26,597,693)	-	(26,597,693)
Amounts charged against ARF	78,887	-	78,887
Transfers to MTC	(25,163,318)	(1,134,421)	(26,297,739)
Transfers to SAFE	(70,000)	70,000	-
Expenditures for facilities, property and equipment	(7,578)	(7,820)	(15,398)
<b>Net cash used in capital and related financing activities</b>	<b>(51,759,702)</b>	<b>(1,072,241)</b>	<b>(52,831,943)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale & maturities of investments	1,403,357,642	30,277,056	1,433,634,698
Purchase of investments	(1,322,857,564)	(33,258,264)	(1,356,115,828)
Interest and dividends received	21,126,363	174,977	21,301,340
<b>Net cash provided by / (used in) investing activities</b>	<b>101,626,441</b>	<b>(2,806,231)</b>	<b>98,820,210</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(159,300,822)</b>	<b>4,251,669</b>	<b>(155,049,153)</b>
<b>Balances - Beginning of year</b>	<b>384,728,455</b>	<b>5,655,918</b>	<b>390,384,373</b>
<b>Balances - End of year</b>	<b>\$ 225,427,633</b>	<b>\$ 9,907,587</b>	<b>\$ 235,335,220</b>
<b>Schedule of noncash activities</b>			
Change in the fair value of investments that are not cash and cash equivalents	\$ (7,550,007)	\$ 1,711	\$ (7,548,296)

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Cash Flows – Proprietary Funds, *continued***  
**For the Year Ended June 30, 2004**

	Business-type Activities - Enterprise Funds		
	<u>Bay Area Toll Authority</u>	<u>Service Authority for Freeways and Expressways</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided by / (used in) operating activities</b>			
Operating income / (loss)	\$ 99,069,528	\$ (4,831,146)	\$ 94,238,382
Adjustments to reconcile operating income to net cash provided by / (used in) operating activities:			
Depreciation and amortization	177,274	409,529	586,803
Net effect of changes in:			
Tolls due from Caltrans	(4,375,905)	-	(4,375,905)
Maintenance funding due from Caltrans	13,809,811	-	13,809,811
Prepaid expenses and other assets	24,587	(8,073)	16,514
Due to Caltrans	(12,897,000)	-	(12,897,000)
Other receivables due from Caltrans	173,976	-	173,976
Accounts payable and accrued expenses	2,208,505	(552,754)	1,655,751
<b>Net cash provided by / (used in) operating activities</b>	<b>\$ 98,190,776</b>	<b>\$ (4,982,444)</b>	<b>\$ 93,208,332</b>

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Cash Flows – Proprietary Funds**  
**For the Year Ended June 30, 2003**

	Business-type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
<b>Cash flows from operating activities</b>			
Cash receipts from users	\$ 144,598,099	\$ 5,809,298	\$ 150,407,397
Cash payments to suppliers for services	(12,607,726)	(10,004,160)	(22,611,886)
Other receipts	6,585,093	19,172	6,604,265
<b>Net cash provided by / (used in) operating activities</b>	<b>138,575,466</b>	<b>(4,175,690)</b>	<b>134,399,776</b>
<b>Cash flows from non-capital financing activities</b>			
Caltrans operating grants	305,004	5,787,585	6,092,589
Federal operating grants	-	6,094	6,094
Proceeds from issuance of revenue bonds	300,000,000	-	300,000,000
Bond issuance cost	(3,528,727)	-	(3,528,727)
Distributions to Caltrans for capital expenses	(329,518,305)	-	(329,518,305)
Disbributions to Other Agencies	(1,267,391)	-	(1,267,391)
<b>Net cash (used in) / provided by non-capital financing activities</b>	<b>(34,009,419)</b>	<b>5,793,679</b>	<b>(28,215,740)</b>
<b>Cash flows from capital and related financing activities</b>			
Interest paid on bonds & capital leases	(19,739,529)	-	(19,739,529)
Amounts charged against ARF	26,744	-	26,744
Transfers to MTC	(24,891,991)	(1,237,657)	(26,129,648)
Transfers to SAFE	(1,337,278)	1,337,278	-
Expenditures for facilities, property and equipment	-	(1,337,278)	(1,337,278)
<b>Net cash used in capital and related financing activities</b>	<b>(45,942,054)</b>	<b>(1,237,657)</b>	<b>(47,179,711)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale & maturities of investments	2,285,664,707	30,239,894	2,315,904,601
Purchase of investments	(2,265,956,208)	(33,519,496)	(2,299,475,704)
Interest and dividends received	28,011,416	301,301	28,312,717
<b>Net cash provided by/ (used in) investing activities</b>	<b>47,719,915</b>	<b>(2,978,301)</b>	<b>44,741,614</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>106,343,908</b>	<b>(2,597,969)</b>	<b>103,745,939</b>
<b>Balances - Beginning of year</b>	<b>278,384,547</b>	<b>8,253,887</b>	<b>286,638,434</b>
<b>Balances - End of year</b>	<b>\$ 384,728,455</b>	<b>\$ 5,655,918</b>	<b>\$ 390,384,373</b>
<b>Schedule of noncash activities</b>			
Change in the fair value of investments that are not cash and cash equivalents	\$ 278,685	\$ -	\$ 278,685

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Cash Flows – Proprietary Funds, *continued***  
**For the Year Ended June 30, 2003**

	Business-type Activities - Enterprise Funds		
	<u>Bay Area Toll Authority</u>	<u>Service Authority for Freeways and Expressways</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided by / (used in) operating activities</b>			
Operating income / (loss)	\$ 107,268,513	\$ (4,547,117)	\$ 102,721,396
Adjustments to reconcile operating income to net cash provided by / (used in ) operating activities:			
Depreciation and amortization	142,585	471,964	614,549
Net effect of changes in:			
Tolls due from Caltrans	398,223	-	398,223
Maintenance funding due from Caltrans	4,250,756	-	4,250,756
Prepaid expenses and other assets	(15,188)	5,274	(9,914)
Due to Caltrans	26,753,638	-	26,753,638
Other receivables due from Caltrans	429,107	-	429,107
Accounts payable and accrued expenses	(652,168)	(105,811)	(757,979)
<b>Net cash provided by / (used in) operating activities</b>	<u>\$ 138,575,466</u>	<u>\$ (4,175,690)</u>	<u>\$ 134,399,776</u>

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Statement of Fiduciary Net Assets – Fiduciary Funds**  
**June 30, 2004 and 2003**

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	2004 Fiduciary <u>Funds</u>	2003 Fiduciary <u>Funds</u>
<b>Assets</b>		
Restricted assets held by participating counties	\$ 75,379,130	\$ 73,136,486
Restricted assets held by State Board of Equalization	-	4,983,274
Due from State of California	-	282,631
Interest receivable	108,410	-
<b>Total Assets</b>	<b>\$ 75,487,540</b>	<b>\$ 78,402,391</b>
<b>Liabilities</b>		
Accounts payable	\$ 2,028,205	\$ 9,146,500
Accrued expenses	1,616,758	797,757
Due to other governments	71,842,577	68,458,134
<b>Total Liabilities</b>	<b>\$ 75,487,540</b>	<b>\$ 78,402,391</b>

The accompanying notes are an integral part of these financial statements.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2004 and 2003**  
**Notes to Financial Statements**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

The Metropolitan Transportation Commission (MTC) was established under Government Code Section 66500 et seq. the laws of the State of California (State) in 1970 to provide comprehensive regional transportation planning for the nine counties that comprise the San Francisco Bay Area, which includes the City and County of San Francisco and the Counties of Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma.

The MTC's principal sources of revenue to fund its operations include state grants, a percentage of the sales tax revenues collected in the nine Bay Area Counties under the State Transportation Development Act of 1971 (TDA) and grants from the U.S. Department of Transportation, Office of the Secretary of Transportation (U.S. DOT), including the Federal Highway Administration (FHWA), Federal Transit Administration (FTA) and other federal, state and local agencies.

The accompanying financial statements present MTC and its blended component units. MTC is the primary government as defined in Governmental Accounting Standards Board Statement No. 14 as it has separate legal status. Its governing board is separately appointed and it is fiscally independent of other governments. The blended component units discussed below are included as part of the reporting entity because they are financially accountable to MTC. The blended component units, although legally separate entities are, in substance, part of the MTC's operations and financial data from these units are combined with financial data of MTC in preparing the government-wide financial statements. The Commission serves as the governing body for MTC and all its blended component units.

***Blended component units***

**i.) Bay Area Toll Authority**

The Bay Area Toll Authority (BATA) is a public agency created by Senate Bill 226 effective January 1, 1998. Senate Bill 226 amended Streets and Highway Code Section 30950 et seq. and transferred to BATA certain California Transportation Commission (CTC) and State of California, Department of Transportation (Caltrans) duties and responsibilities for the disposition of toll revenues collected from toll bridges owned and operated by Caltrans in the San Francisco Bay Area. These responsibilities also include administration of the Regional Measure 1 capital improvement program approved by the voters in 1988. The toll bridges are the Antioch Bridge, Benicia-Martinez Bridge, Carquinez Bridge, Dumbarton Bridge, Richmond-San Rafael Bridge, San Francisco-Oakland Bay Bridge and San Mateo-Hayward Bridge.

Pursuant to Senate Bill 226, a five year Cooperative Agreement was signed on March 2, 1998 defining the roles and responsibilities of BATA and Caltrans. A new ten year agreement was signed in January 2003.

BATA is required to prepare and adopt a budget by July 1 for each fiscal year. BATA adopted a Long Range Plan for Regional Measure 1 projects as required by the Streets

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2004 and 2003**

### **Notes to Financial Statements**

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and Highway Code. With the concurrence of Caltrans, the plan gives first priority to projects and expenditures that are deemed necessary by Caltrans to preserve and protect the bridges as provided by the Streets and Highway Code and to pay Caltrans for costs incurred and as authorized in the annual budgets adopted by BATA.

In March 2004, seven Bay Area counties approved Regional Measure 2. Regional Measure 2 increased the toll by one dollar on all seven bridges in order to fund various capital and operating programs for congestion relief. The dollar surcharge became effective July 1, 2004.

The responsibilities of Caltrans reside with the ownership, operation and maintenance of the bridges, including the installation, maintenance and operations of toll collections facilities and equipment, the generation and maintenance of proper records relating to the collection, accounting, allocation and the disbursements of all toll funds collected. Under the terms of the Cooperative Agreement signed in January 2003, BATA assumed responsibility for electronic toll collection starting in April 2004.

Except for the seismic retrofit charge, all the toll revenues and certain other income are transferred to BATA to be managed in accordance with the Cooperative Agreement.

The activities of BATA are structured as a single enterprise with operating revenue and expense recorded by individual bridges.

#### **ii.) MTC Service Authority for Freeways and Expressways (MTC SAFE)**

In June 1988, the MTC SAFE was created to receive funds collected by the Department of Motor Vehicles pursuant to Streets and Highways Code Section 2500 et seq., which permits the collection of up to \$1 per registered vehicle in participating counties. The MTC SAFE is responsible for administering a freeway motorist aid system in the participating counties, referred to as the Callbox program. The following counties are participants in the MTC SAFE: San Francisco, Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma.

In 1993, the MTC SAFE's responsibilities were expanded, pursuant to a jointly adopted Memorandum of Understanding between the MTC SAFE, Caltrans, and the California Highway Patrol (CHP), to participate in the development and implementation of a Freeway Service Patrol (FSP) program in the San Francisco Bay Area. The MTC SAFE now receives additional funding under this program to provide tow truck services to stranded motorists. Three principal sources of funding for the FSP program include state-legislated grants, federal grants, and funding from federal traffic mitigation programs. In addition, the Callbox program supports the FSP program by transferring funds each year.

The management of the MTC SAFE has contracted with the MTC to utilize the administrative personnel and facilities of the MTC.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2004 and 2003**  
**Notes to Financial Statements**

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iii.) **MTC Special Revenue Funds**

**Transit Reserve Fund** – The 1998 Regional Measure 1 toll increase authorizes up to 3 percent of toll revenue to be used for congestion-relieving transit operation and capital projects in the bridge corridors and an additional 2 percent of the increase to be used for ferry service capital projects. The calculation of the transit reserves was revised in Section 30913 (b) of the Streets and Highway Code to 1/3 of 2% of base toll revenues collected on all seven Bay Area State-owned bridges effective January 1, 2004. When the state-owned toll bridges became eligible for federal funding in April 2000, transit operations could no longer be funded because federal funding guidelines allow toll revenues to be used for transit capital projects but not for transit operations. As such, MTC no longer funds transit operations with toll revenue.

Caltrans entered into a Cooperative Agreement with BATA and MTC whereby Caltrans transferred state funding (Five Percent Unrestricted State Funds) to MTC to replace the Toll Funds previously used for transit operations. As a result of this agreement, new programming and allocation policies were established in MTC Resolution No. 3288, with the Unrestricted State Funds supporting ferry operations and other transit/bicycle projects, and toll revenue transfers limited to ferry capital improvements.

**Rail Extension Reserve Fund** – Arise from 90 percent of the 25 cent toll increase on two-axle vehicles crossing the San Francisco-Oakland Bay Bridge as authorized by Regional Measure 1. Section 30914 (a.4) of the Streets and Highway Code changed the calculation to 21% of base toll revenues collected on the San Francisco-Oakland Bay Bridge effective January 1, 2004. Rail extension funds are allocated exclusively for rail transit capital extension and improvement projects that are designed to reduce vehicular traffic congestion on the San Francisco-Oakland Bay Bridge. Seventy percent of the Rail Extension Reserves are allocated for East Bay rail improvements and the remaining thirty percent for West Bay rail improvements.

**AB664 Net Toll Revenue Reserve Fund** – Arises from a 1997 toll increase on the three southern bay area bridges; the Dumbarton Bridge, the San Francisco-Oakland Bay Bridge and the San Mateo-Hayward Bridge. The increase consisted of a charge of 25 cents per two-axle vehicle on the San Francisco-Oakland Bay Bridge and 5 cents per two-axle vehicle on the San Mateo-Hayward and Dumbarton Bridges. Section 30884 (a) of the Streets and Highway Code changed the calculation to 16% of the base toll revenues collected on the three bridges effective January 1, 2004. These funds are allocated, seventy percent to West Bay and thirty percent to East Bay, to capital projects that further the development of public transit in the vicinity of these three southern bay area bridges, including transbay and transbay feeder transit services. Substantially all of the current AB664 Net Toll Revenue Reserves are used to match federal transit funds designated for replacement buses and capital facility improvement.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2004 and 2003**  
**Notes to Financial Statements**

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**Exchange Fund** – Are used for the MTC projects adopted as part of its State Transit Program (STP) and Congestion Mitigation and Air Quality Improvement (CMAQ) programs. STP funds include flexible funding for projects on any Federal-aid highway, including the National Highway System, bridge projects, public roads, transit capital projects, and intracity and intercity bus terminals and facilities. CMAQ funds provide funding for up to 3 years for capital projects and new operating programs as in the areas of TCMs, Cold Start Programs, Alternative Fuels, Traffic Flow Improvements, Specific Transit Improvements such as new, lower emission transit vehicles, TransLink®, Travel Demand Management, Bicycle and Pedestrian Facilities and Outreach and Rideshare Activities.

**State Transit Assistance (STA) Fund** – Are used for transit and Paratransit operating assistance, transit capital projects, and regional transit coordination. STA funds are derived from the state sales tax on fuel and apportioned by state statute between population and revenue-based accounts. PUC Section 99313 defines population based funds and PUC Section 99314 defines revenue based funds.

**Feeder Bus Fund** – Are to reimburse various transit operators for operating the BART Express Bus Program.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of MTC and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

For the year ended June 30, 2002, MTC adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management’s Discussion & Analysis – for State and Local Governments* as amended by GASB Statement No. 37, *Basic Financial Statements – Management’s Discussion & Analysis – for State and Local Governments: Omnibus*. GASB 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into three net asset categories; namely, those invested in capital assets, net of related debt, restricted net assets and unrestricted net assets. For the year ended June 30, 2002, MTC also adopted GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. GASB 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2004 and 2003

### Notes to Financial Statements

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With respect to the business-type activities of MTC and as required under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, MTC will continue to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. MTC has elected under GASB Statement No. 20 to not apply all FASB Statements and Interpretations issued after November 30, 1989, due to the governmental nature of MTC's operations.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period.

MTC reports the following governmental funds:

The *general fund* is used to account for those financial resources that are not required to be accounted for in another fund. MTC's general fund is its primary operating fund.

*Special revenue funds* are used to account for proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes. MTC's special revenue funds include the MTC Bridge Toll Funds, the Exchange Fund, the STA Fund and the Feeder Bus Fund. The MTC Bridge Toll Funds comprise the Transit Reserves Fund, the Rail Extension Reserves Fund and the AB664 Net Toll Revenue Reserves Fund.

The major governmental funds comprise the General Fund, Transit Reserve Fund, Rail Extension Reserve Fund, the AB664 Net Toll Revenue Reserves Fund, the Exchange Fund, the STA Fund, and the Feeder Bus Fund. Balance Sheet and Statements of Revenues, Expenditures and Changes in Fund Balances and Budget to Actual Statements of Revenues and Change in Fund Balances are presented for all governmental funds.

MTC reports the following major proprietary funds:

The *Bay Area Toll Authority (BATA) fund* is used to account for the activities of BATA with responsibilities for the disposition of toll revenues collected from toll bridges owned and operated by the State in the San Francisco Bay Area. BATA is a blended component unit of MTC.

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2004 and 2003

### Notes to Financial Statements

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The *MTC Service Authority for Freeways and Expressways (SAFE) fund* is used to account for the activities of MTC SAFE with responsibilities for administering a freeway motorist aid system in the participating counties as well as providing tow truck services to stranded motorists. MTC SAFE is a blended component unit of MTC.

Additionally, MTC reports the following fiduciary funds to account for assets held by MTC in a trustee capacity or as an agent. These agency funds are custodial in nature and do not have a measurement of results of operations. They are on the accrual basis of accounting.

The *AB1107 fund* is used to account for the activities of the AB1107 Program. AB1107 funds are sales tax revenue collected under the ordinance adopted pursuant to Section 29140 of the Public Utilities Code. These funds are administered by the MTC for allocation to the Alameda-Contra Costa Transit District (AC Transit) and the City and County of San Francisco for its municipal railway system (MUNI) on the basis of regional priorities established by the MTC.

The *Transportation Development Act (TDA) Program fund* is used to account for the activities of the TDA Program. In accordance with State regulations and memoranda of understanding with operators and local municipalities, the MTC is responsible for the administration of sales tax revenue derived from the TDA.

#### **D. Budgetary Accounting**

Enabling legislation and adopted policies and procedures provide that MTC approve an annual budget by June 30 of each year. Annual budgets are adopted on a basis consistent with Accounting Principles Generally Accepted in the United States of America for all governmental and proprietary funds. MTC also approves a life of project budget whenever new capital projects are approved. MTC presents a preliminary budget in May. The final budget is presented in June. MTC conducts hearings for discussion of the proposed annual budget and at the conclusion of the hearings, but not later than June 30, adopts the final budget for the following fiscal year. The appropriated budget is prepared by fund, project and expense type. The legal level of control is at the fund level and the governing body must approve additional appropriations. Budget amendments are recommended when needed. Operating appropriations lapse at fiscal year end.

MTC employs the following practices and procedures in establishing budgetary data on a basis consistent with Accounting Principles Generally Accepted in the United States of America as reflected in the basic financial statements:

- Annual budgets are adopted on the modified accrual basis of accounting for governmental fund types. These include the general fund and special revenue funds.
- Annual budgets are adopted on the accrual basis for the proprietary fund types.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2004 and 2003**  
**Notes to Financial Statements**

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**E. Encumbrances**

Encumbrance accounting is employed in the general and special revenue funds. Under this method, purchase orders, contracts, memoranda of understanding and other commitments outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. These commitments will be recognized in subsequent year appropriations.

**F. Cash and Investments**

MTC applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. Investments are stated at fair value based upon quoted market prices. Net increases or decreases in the fair value of investments are shown in the Statements of Revenues, Expenditures and Changes in Fund Balance for all governmental fund types and in the Statements of Revenues, Expenditures and Changes in Net Assets for the proprietary funds.

***Cash and cash equivalents***

For the purpose of the Statement of Cash Flows, MTC considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash and cash equivalents. Deposits in the investment pool of the County of Alameda are presented as cash and cash equivalents.

***Restricted investments***

Certain investments are classified as restricted on the Statement of Net Assets because their use is limited externally by applicable bond covenants, laws or regulations or there exists an imposed restriction through enabling legislation.

**G. Capital Assets**

Capital assets, which include buildings and improvements, office furniture and equipment, leased equipment, automobiles and callboxes, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost. Depreciation expense for the governmental activities is charged against general government function.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimate useful life in excess of three years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2004 and 2003**  
**Notes to Financial Statements**

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Depreciation is computed using the straight-line method that is based upon the estimated useful lives of individual capital assets. The estimated useful lives of capital assets are as follows:

	<u>Years</u>
Buildings and improvements	10 - 45
Office furniture and equipment	3 - 10
Leased equipment	5
Automobiles	3
Callboxes	10

**H. Net Assets**

Net assets represent residual interest in assets after liabilities are deducted. Net assets consist of three sections: Invested in capital assets, net of related debt, as well as restricted and unrestricted. Net assets are reported as restricted when constraints are imposed by third parties or enabling legislation. Restricted net assets consist of amounts restricted for capital expenditures and other purposes as follows:

	<u>2004</u>	<u>2003</u>
Encumbrances for Capital Projects	\$ 51,489,473	\$ 61,339,974
Other Purposes:		
Legal Contingency	1,993,571	2,500,000
PERS Reserve	6,099,723	5,260,158
HOV Reserve	289,741	1,332,670
STA Reserve	349,490	4,540,290
Building Reserve	8,000,000	8,000,000
Capital Asset Reserve	500,000	500,000
Debt Covenant – Operating & Maintenance Reserve	125,000,000	80,000,000
Self Insurance Reserve	50,000,000	50,000,000
Long-Term Receivable Not Available to Pay Current Period Expenditures	<u>47,810,000</u>	<u>39,935,000</u>
Total Other Purposes	<u>\$ 240,042,525</u>	<u>\$ 192,068,118</u>

**I. Retirement Plans**

MTC provides a defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission (the “Plan”) which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees’ Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers in the State.

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**J. Postretirement Health Benefits**

The MTC pays certain health care insurance premiums for retired employees. Employees may become eligible for these benefits if they reach normal retirement age while working for the MTC. The number of participants eligible to receive benefits was 38 for the year ended June 30, 2004. The cost of retiree health care insurance premiums is recognized as an expense as premiums are paid. For the years ended June 30, 2004 and 2003, those costs totaled \$217,975 and \$152,096, respectively.

**K. Compensated Absences**

MTC's regular staff employees accumulate vacation pay and sick leave pay based on the agreement with the Committee for Staff Representation pursuant to the Meyers-Milius-Brown Act. A liability exists for accumulated vacation and sick leave. Unused accumulated sick and vacation leave is paid at the time of employment termination up to a maximum of 400 hours for vacation and 240 hours for sick leave per employee.

**L. Maintenance Funding due from Caltrans**

In accordance with Amendment No. 2 to the Cooperative Agreement between BATA and Caltrans, Caltrans agreed to reimburse BATA for tow services financed with toll funds from fiscal year 1993 through fiscal year 2001. The reimbursement receivable totals \$3,966,913 and \$17,776,724 at June 30, 2004 and 2003, respectively. The settlement of the maintenance funding due from the State is to be provided in the form of an offset of capital expenses incurred and to be incurred on the Richmond-San Rafael Bridge Trestle Project and Richmond-San Rafael Bridge Deck project. For the years ended June 30, 2004 and 2003, Caltrans incurred \$13,809,811 and \$4,250,756, respectively in expenses as an offset against the settlement.

**M. Toll revenues Collected by Caltrans**

Except for the seismic retrofit charge, Caltrans collects all toll revenues from the operation of the bridges and transfers such revenues to BATA. BATA recognizes toll revenue as amounts are earned from vehicle utilization of the toll bridges.

**N. Operating Expenditures Incurred by Caltrans**

In accordance with the Cooperative Agreement between BATA and Caltrans, BATA reimburses Caltrans for certain costs incurred for bridge operating expenditures.

**O. Transfers to Caltrans for Capital Expenditures**

In accordance with the Cooperative Agreement between BATA and Caltrans, BATA reimburses Caltrans for certain costs incurred for bridge capital expenditures.

**P. Capital Contributed from Caltrans**

Caltrans contributed capital to BATA for a compensating cash balance.

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**Q. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**R. Operating and Nonoperating Revenues and Expenses**

Operating revenues and expenses are those related to user service activities. While non-operating revenue and expenses are all others revenues and expenses not related to user service activities.

**2. UNRESTRICTED ASSET DEFICIT**

The unrestricted asset deficit arises from the activities within BATA. BATA was created by SB226 to be the financing arm for the Regional Measure 1 program. The planned total debt borrowing for these projects will be one billion dollars with the completion of the last piece of the financing in the fall of 2004. These bonds, issued by BATA, are Toll revenue Bonds payable solely from "Pledged Revenues". All future toll revenues received by BATA are pledged to cover debt service payments. The assets, the bridges, are owned and maintained by Caltrans. Therefore, BATA does not have sufficient current resources on hand to cover this debt resulting in an unrestricted asset deficit.

**3. CASH AND INVESTMENTS**

Investments are stated at fair value. As a matter of policy, MTC holds investments to maturity with the objective of preservation and safeguarding of capital until the date of anticipated need.

At June 30, 2004 and 2003, the MTC's carrying amount of cash in checking and money market accounts was \$185,853,814 and \$162,401,355, respectively while the bank balance was \$179,820,665 and \$162,969,269, respectively with the difference represented primarily by outstanding checks. Of the bank balances at June 30, 2004 and 2003, \$241,056 and \$211,589 was insured by federal depository insurance or collateralized by securities held by MTC's agent in MTC's name and an amount of \$185,612,758 is required by Section 53652 of the California Government Code to be collateralized 110% by the pledging financial institutions, except promissory notes secured by first trust deeds, or letters of credit issued by the Federal Home Loan Bank of San Francisco which require collateral levels of 150% and 105%, respectively. Such collateral is not required to be in MTC's name.

The California Government Code requires California banking institutions to collateralize deposits of public funds by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling. The market value of pledged securities must be in accordance with Title 5, Division 2, Chapter 4, Article 2 of the

# Metropolitan Transportation Commission

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Government Code for the State of California. California law also allows financial institutions to collateralize public fund deposits by pledging first trust deed mortgage notes having a value of 150% of a governmental unit's total deposits. The MTC may waive collateral requirements for deposits that are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation.

The MTC invests its available cash under the prudent investor rule. The prudent investor rule states, in essence, that "in investing...property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs...." This policy affords the MTC a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et seq. Investments may be made within the following approved instrument guidelines:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit (or time deposits) placed with commercial banks and savings and loans
- Bankers' acceptances
- Authorized pooled investment programs
- Commercial paper – Rated "A" or better
- Corporate notes – Rated "A" or better
- Municipal bonds
- Mutual funds – Rated "A" or better
- Asset backed securities
- Other investment types authorized by state law and not prohibited in the MTC investment policy

BATA has covenanted to maintain an operations and maintenance reserve of two times the adopted operations and maintenance budget, as well as an extraordinary loss reserve of \$50 million. At June 30, 2004, BATA had restricted \$125 million as the restricted operations and maintenance reserve and \$50 million as the restricted extraordinary loss reserve. These amounts are shown as restricted long-term investments for the year ended June 30, 2004.

MTC also has \$1,126,154 restricted for costs for the Express Bus purchases funded with the Traffic Relief Program funds.

The MTC holds a position in the investment pool of County of Alameda in the amount of \$36,905,709. These funds in the Alameda County pool are not registered with the Securities and Exchange Commission (SEC). The County of Alameda is restricted by state code in the types of investments it can make. Further, the County Treasurer has a written investment policy approved by the Board of Supervisors and also has an investment committee which performs regulatory oversight for its pool as required by California Government Code Section 27134. The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's

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Commercial Paper Record, banker's acceptances, repurchase agreements, reverse repurchase agreements, and the State Treasurer's investment pool. The fair value in the investment pool of County of Alameda is the same as the fair value of the position in the external investment pool at June 30, 2004.

At June 30, 2004 and 2003, MTC invested 77% and 61% of its investment portfolio in government-sponsored enterprises (GSE). However, for both the periods under review no specific GSE comprised of more than 42% of the total. The holdings are as follows:

	<b>2004</b>	<b>2003</b>
Federal Home Loan Board	42%	39%
Federal Home Loan Mortgage	32%	20%
Federal National Mortgage Association	21%	38%
Student Loan Marketing	3%	2%
Tennessee Valley Authority	2%	1%
	<u>100%</u>	<u>100%</u>

The GSEs carry "AAA" rating and have implicit guarantee from the U.S. government. Neither State law nor MTC policy imposes a limit to the amount of GSE within the portfolio.

MTC's portfolio includes one mutual fund investment, Cadre Institutional Investors Trust (Cadre), owned by Public Financial Management. The fund is rated "AAA" by both Standard & Poor's Corporation and Moody's and its fund invests in debt securities issued or guaranteed by the U.S. government or an agency of the U.S. government and repurchase agreements collateralized by U.S. government securities. Investments are very liquid and can be liquidated at any time and as such are considered to be cash and cash equivalents. This mutual fund also serves as MTC's primary checking account. At June 30, 2004 and 2003, the investment in Cadre was equal to 6% and 10% of the investment portfolio (including cash and cash equivalents). State law and MTC policy limit mutual fund investments to 20% of the portfolio, with no more than 10% in any single fund.

A reconciliation of Cash and Investments as shown on the Statement of Net Assets for all funds at June 30, 2004 and 2003 is as follows:

	<b>2004</b>	<b>2003</b>
Cash	\$ 185,853,813	\$ 162,401,355
Investments	542,981,391	817,819,269
Total cash and investments	<u>\$ 728,835,204</u>	<u>\$ 980,220,624</u>
Reported as:		
Unrestricted cash and cash equivalents	\$ 329,582,159	\$ 486,839,326
Unrestricted investments	223,126,891	358,193,511
Total unrestricted cash and investments	<u>552,709,050</u>	<u>845,032,837</u>
Restricted cash and cash equivalents	1,126,154	5,187,787
Restricted investments	175,000,000	130,000,000
Total restricted cash and investments	<u>176,126,154</u>	<u>135,187,787</u>
Total cash and investments	<u>\$ 728,835,204</u>	<u>\$ 980,220,624</u>

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**Financial Statements for the years ended June 30, 2004 and 2003**  
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**4. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2004 is as follows:

**Governmental activities**

	<b>Beginning Balance July 1, 2003</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance June 30, 2004</b>
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,718,459	\$ -	\$ -	\$ 4,718,459
Office furniture and equipment	2,686,117	166,011	-	2,852,128
Leased equipment	83,430	-	-	83,430
Automobiles	176,412	-	-	176,412
Total cash assets being depreciated	<u>7,664,418</u>	<u>166,011</u>	<u>-</u>	<u>7,830,429</u>
Less accumulated depreciation for:				
Buildings and improvements	2,075,796	176,344	-	2,252,140
Office furniture and equipment	2,249,698	161,110	-	2,410,808
Leased equipment	31,248	18,082	-	49,330
Automobiles	162,078	10,587	-	172,665
Total accumulated depreciation	<u>4,518,820</u>	<u>366,123</u>	<u>-</u>	<u>4,884,943</u>
Total capital assets, net	<u>\$ 3,145,598</u>	<u>\$ (200,112)</u>	<u>\$ -</u>	<u>\$ 2,945,486</u>

**Business-type activities**

	<b>Beginning Balance July 1, 2003</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance June 30, 2004</b>
Capital assets, being depreciated:				
Office furniture and equipment	\$ 1,052,470	\$ 15,398	\$ -	\$ 1,067,868
Callboxes	10,482,078	-	-	10,482,078
Total cash assets being depreciated	<u>11,534,548</u>	<u>15,398</u>	<u>-</u>	<u>11,549,946</u>
Less accumulated depreciation for:				
Office furniture and equipment	960,986	47,336	-	1,008,322
Callboxes	8,436,558	364,138	-	8,800,696
Total accumulated depreciation	<u>9,397,544</u>	<u>411,474</u>	<u>-</u>	<u>9,809,018</u>
Total capital assets, net	<u>\$ 2,137,004</u>	<u>\$ (396,076)</u>	<u>\$ -</u>	<u>\$ 1,740,928</u>

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**Financial Statements for the years ended June 30, 2004 and 2003**  
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A summary of changes in capital assets for the year ended June 30, 2003 is as follows:

**Governmental activities**

	<b>Beginning Balance July 1, 2002</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance June 30, 2003</b>
Capital assets, being depreciated				
Buildings and improvements	\$ 4,698,808	\$ 19,651	-	\$ 4,718,459
Office furniture and equipment	2,764,993	36,144	(115,020)	2,686,117
Leased equipment	83,430	-	-	83,430
Automobiles	185,548	-	(9,136)	176,412
Total capital assets being depreciated	<u>7,732,779</u>	<u>55,795</u>	<u>(124,156)</u>	<u>7,664,418</u>
Less accumulated depreciation for				
Buildings and improvements	1,901,416	174,380	-	2,075,796
Office furniture and equipment	2,200,996	160,662	(111,960)	2,249,698
Leased equipment	12,166	19,082	-	31,248
Automobiles	152,350	18,864	(9,136)	162,078
Total accumulated depreciation	<u>4,266,928</u>	<u>372,988</u>	<u>(121,096)</u>	<u>4,518,820</u>
Total capital assets, net	<u>\$ 3,465,851</u>	<u>\$ (317,193)</u>	<u>\$ (3,060)</u>	<u>\$ 3,145,598</u>

**Business-type activities**

	<b>Beginning Balance July 1, 2002</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance June 30, 2003</b>
Capital assets, being depreciated				
Office furniture and equipment	\$ 1,075,462	\$ -	\$ (22,992)	\$ 1,052,470
Callboxes	9,144,800	1,337,278	-	10,482,078
Total capital assets being depreciated	<u>10,220,262</u>	<u>1,337,278</u>	<u>(22,992)</u>	<u>11,534,548</u>
Less accumulated depreciation for				
Office furniture and equipment	891,154	92,814	(22,982)	960,986
Callboxes	8,055,377	381,181	-	8,436,558
Total accumulated depreciation	<u>8,946,531</u>	<u>473,995</u>	<u>(22,982)</u>	<u>9,397,544</u>
Total capital assets, net	<u>\$ 1,273,731</u>	<u>\$ 863,283</u>	<u>\$ (10)</u>	<u>\$ 2,137,004</u>

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**5. LONG-TERM DEBT**

General Revenue Bonds were issued during May 2001 and February 2003 to (i) finance the cost of the design and construction of eligible projects, including capital improvements and Regional Measure I projects for the Bay Area Bridges, (ii) to finance a Reserve Fund for the Series 2001 and 2003 General Revenue Bonds, and (iii) pay costs incurred in connection with the issuance of the Series 2001 General Revenue Bonds.

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A summary of changes in long-term debt for the year ended June 30, 2004 is as follows:

**Business-type activities**

	<b>Issue Date</b>	<b>Interest Rate</b>	<b>Calendar Maturity Year</b>	<b>Original Amount</b>	<b>Beginning Balance July 1, 2003</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2004</b>	<b>Due Within One Year</b>
2001 Revenue Bond Series A	5/24/2001	4.09%-4.10% *	2036	\$ 150,000,000	\$ 150,000,000	\$ -	\$ -	\$ 150,000,000	\$ -
2001 Revenue Bond Series B	5/24/2001	4.12% *	2029	75,000,000	75,000,000	-	-	\$ 75,000,000	-
2001 Revenue Bond Series C	5/24/2001	4.11% *	2025	75,000,000	75,000,000	-	-	\$ 75,000,000	-
2001 Revenue Bond Series D	5/24/2001	4.83% **	2018	100,000,000	100,000,000	-	-	\$ 100,000,000	-
2003 Revenue Bond Series A	2/12/2003	4.13% ***	2038	75,000,000	75,000,000	-	-	\$ 75,000,000	-
2003 Revenue Bond Series B	2/12/2003	4.13% ***	2038	75,000,000	75,000,000	-	-	\$ 75,000,000	-
2003 Revenue Bond Series C	2/12/2003	4.14% ****	2038	150,000,000	150,000,000	-	-	\$ 150,000,000	-
				<u>\$ 700,000,000</u>	700,000,000	-	-	700,000,000	<u>\$ -</u>
Unamortized bond premium					1,244,921	-	83,927	\$ 1,160,994	
Net long-term debt as June 30, 2004					<u>\$ 701,244,921</u>	<u>\$ -</u>	<u>\$ 83,927</u>	<u>\$ 701,160,994</u>	

\* 2001 Series A, B and C are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote. Of the \$150,000,000 Series A bonds, \$75,000,000 was swapped to a fixed rate of 4.09% and \$75,000,000 was swapped to a fixed rate of 4.10%.

\*\* 2001 Series D bonds are issued as fixed rate bonds with a final maturity of 2018. The bonds carry interest rates ranging from 3.85% in 2006 to 5.12% in 2018, for a true interest cost of 4.83%.

\*\*\* 2003 Series A and B are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Series A and B bonds were swapped to a fixed rate of 4.13%

\*\*\*\* Of the \$150,000,000 2003 Series C Revenue bonds, \$50,000,000 are issued as variable rate demand bonds with a floating to fixed interest rate swap transaction in place. The \$50,000,000 bonds were swapped to a fixed rate of 4.14%. The remaining \$100,000,000 are issued as floating rate bonds with a final maturity of 2038. Interest rates in the variable rate demand bond averaged 1.05% as of June 30, 2004.

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A summary of changes in long-term debt for the year ended June 30, 2003 is as follows:

**Business-type activities**

	<b>Issue Date</b>	<b>Interest Rate</b>	<b>Calendar Maturity Year</b>	<b>Original Amount</b>	<b>Beginning Balance July 1, 2002</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2003</b>	<b>Due Within One Year</b>
2001 Revenue Bond Series A	5/24/2001	4.09%-4.10% *	2036	\$ 150,000,000	\$ 150,000,000	\$ -	\$ -	\$ 150,000,000	\$ -
2001 Revenue Bond Series B	5/24/2001	4.12% *	2029	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series C	5/24/2001	4.11% *	2025	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series D	5/24/2001	4.83% **	2018	100,000,000	100,000,000	-	-	100,000,000	-
2003 Revenue Bond Series A	2/12/2003	4.13% ***	2038	75,000,000	-	75,000,000	-	75,000,000	-
2003 Revenue Bond Series B	2/12/2003	4.13% ***	2038	75,000,000	-	75,000,000	-	75,000,000	-
2003 Revenue Bond Series C	2/12/2003	4.14% ****	2038	150,000,000	-	150,000,000	-	150,000,000	-
				<u>\$ 700,000,000</u>	<u>400,000,000</u>	<u>300,000,000</u>	<u>-</u>	<u>700,000,000</u>	<u>\$ -</u>
Unamortized bond premium					1,328,849	-	83,928	1,244,921	
Net long-term debt as of June 30, 2003					<u>\$ 401,328,849</u>	<u>\$ 300,000,000</u>	<u>\$ 83,928</u>	<u>\$ 701,244,921</u>	

\* 2001 Series A, B and C are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote. Of the \$150,000,000 Series A bonds, \$75,000,000 was swapped to a fixed rate of 4.09% and \$75,000,000 was swapped to a fixed rate of 4.10%.

\*\* 2001 Series D bonds are issued as fixed rate bonds with a final maturity of 2018. The bonds carry interest rates ranging from 3.85% in 2006 to 5.12% in 2018, for a true interest cost of 4.83%.

\*\*\* 2003 Series A and B are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Series A and B bonds were swapped to a fixed rate of 4.13%

\*\*\*\* Of the \$150,000,000 2003 Series C Revenue bonds, \$50,000,000 are issued as variable rate demand bonds with a floating to fixed interest rate swap transaction in place. The \$50,000,000 bonds were swapped to a fixed rate of 4.14%. The remaining \$100,000,000 are issued as floating rate bonds with a final maturity of 2038. Interest rates in the variable rate demand bond averaged 0.90% as of June 30, 2003.

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**Annual funding requirements**

The annual funding requirements (principal and interest) for the long-term debt outstanding of the business-type activities at June 30, 2004 are as follows:

<b>Business-type activities</b>			
<b>Fiscal Year Ending</b>	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total Payments</b>
2005	\$ -	\$ 28,290,876	\$ 28,290,876
2006	5,785,000	28,290,876	34,075,876
2007	6,015,000	28,057,072	34,072,072
2008	10,825,000	27,813,973	38,638,973
2009-2013	62,305,000	132,077,370	194,382,370
2014-2018	78,870,000	118,221,105	197,091,105
2019-2023	41,100,000	105,185,478	146,285,478
2024-2028	126,200,000	87,006,569	213,206,569
2029-2033	139,000,000	57,478,977	196,478,977
2034-2038	229,900,000	28,157,505	258,057,505
	<u>\$ 700,000,000</u>	<u>\$ 640,579,801</u>	<u>\$ 1,340,579,801</u>

**Toll Revenue Bonds**

The 2001 Bay Area Toll Authority Bridge Toll Revenue Bonds are payable solely from “Pledged Revenues.” The Master Indenture, dated as of May 1, 2001 defines Pledged Revenues as all bridge toll revenue as well as revenue and all amounts held by the Trustee in each fund and account established under the indenture except for amounts in the Rebate Fund and amounts on deposit in any fund or account established to hold the proceeds of a drawing on any Liquidity Instrument.

BATA has covenanted to maintain bridge toll rates sufficient to meet operations, maintenance and debt service costs. In addition, BATA will seek authority from the State legislature if net toll revenue is less than 1.0 times “fixed charges” as defined by the Master indenture, or the sum of net toll revenue and amounts in the operations and maintenance reserve is less than 1.25 times fixed charges (see detail in Schedule 6).

BATA has also covenanted in the 2001 Indenture that no additional bonds shall be issued, unless the additional bonds are issued for refunding of 2001 Series bond purposes, or Net Revenue equates to greater than 150% of the combined maximum annual debt service, including the 2001 bonds and additional bonds.

BATA has covenanted to maintain an operations and maintenance reserve of two times the adopted operations and maintenance budget, as well as an extraordinary loss reserve of \$50 million. At June 30, 2004, BATA had restricted \$125 million as the restricted operations and maintenance reserve and \$50 million as the restricted extraordinary loss reserve. These amounts are shown as restricted long-term investments for the year ended June 30, 2004.

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2004 and 2003**

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The bonds issued by BATA are secured by a first lien on all revenues and are not an obligation of the MTC primary government or any component unit other than BATA.

#### **Interest Rate and Forward Interest Rate Swap Agreements**

In January 2002, BATA completed a floating-to-fixed rate swap transaction with a notional value of \$300 million. Counterparties to the transaction are Ambac for \$150 million, CitiCorp for \$75 million and Morgan Stanley for \$75 million. During the 35-year term of the swap, BATA will pay each respective counterparty based on a fixed rate ranging from 4.09% to 4.12% while receiving a floating rate payment equivalent to the actual floating rate payment in years 1 through 4 and a floating rate payment based on 65% of the one-month LIBOR index in years 5 through 35. The variable rate bonds associated with this swap were issued as part of BATA's 2001 \$400 million Toll Bridge Revenue bond issue.

In May 2002, BATA approved a forward contract with Ambac to swap variable-to-fixed rate bonds in a notional amount of \$200 million. The contract calls for BATA to pay Ambac a fixed rate of 4.139%. In exchange, BATA will receive a variable rate payment based on 65% of the one-month LIBOR rate for the life of the 2003 financing. The variable rate bonds associated with this swap were issued as part of BATA's 2003 \$300 million Toll Bridge Revenue Bond issue.

BATA entered into these transactions as a means of controlling long-term debt costs while maintaining a hedge against increases in short-term rates. BATA is aware that swap transactions contain certain associated risks not traditionally associated with fixed-rate issues, particularly the risk of counterparty failure. However, BATA has structured the transaction with reasonable safeguards, including downgrade and collateral provisions required of all counterparties, insurance guaranteeing performance on the Ambac components, as well as BATA's unilateral ability to cancel any transaction with 15 days notice.

The swap contracts address credit risk by requiring the counter-parties to post collateral if two triggering mechanisms are reached: counter-party credit ratings fall below "AA-" or "Aa3" from Standard & Poor's and Moody's respectively; and the swap carries a positive fair value in excess of \$10 million.

As of June 30, 2004, Morgan Stanley had a long term rating of "A+" from Standard & Poor's which falls below the "AA-" threshold. However, no collateral is required because the fair value does not exceed \$10 million. The ratings for Ambac and CitiCorp are "AAA/Aaa" and "AA/Aa1" from Standard & Poor's and Moody's respectively.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2004 and 2003**  
**Notes to Financial Statements**

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Cancellation of any or all of the swap transactions is subject to a market value calculation at the time of termination. The market value calculation is used to determine what, if any, termination payment is due from or to the counterparty. At June 30, 2004 the financial and investment advisory firm of Public Financial Management (PFM) established the termination value as of June 30, 2004 as follows:

<u>Notional Value</u>	<u>Counterparty</u>	<u>Fixed Rate</u>	<u>Value due from / (to) counterparty</u>
\$ 75 million	Ambac	4.110%	\$ (4,655,000)
\$ 75 million	Ambac	4.120%	(4,720,200)
\$ 75 million	Morgan Stanley	4.090%	(4,720,500)
\$ 75 million	Citibank	4.100%	(4,829,400)
\$ 200 million	Ambac	4.139%	(13,931,800)
			<u>\$ (32,856,900)</u>

The termination value, if BATA terminated or defaulted on all swaps is approximately \$32.9 million.

BATA's intent, however, is to maintain the swap transactions for the 35 year life of the financing. In accordance with Governmental Accounting Standards Board Statement No. 20, BATA has not adopted Financial Accounting Standards Board Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and has not recorded the termination value due to the counterparties. A complete summary of swap values and terms is contained in Schedule 18.

The schedule below shows the total interest cost of the swap payments. The total cost is determined by taking the fixed rate payment to the counterparty, netting the variable rate payment received from the counterparty, plus any associated administrative costs associated with the swap and variable rate obligation. The counterparty fixed rate payment is 4.105% and 4.139% for the 2001 and 2003 swap transactions, respectively. The total cost is 4.738% for the 2001 swap and 4.772% for the 2003 swap.

As of June 30, 2004, debt service requirements of the variable rate debt and net swap payments for 2001 Series A, B and C as are as follows:

Payment Date	Principal Payment	Interest (Variable)*	Interest Rate Swaps, Net**	Interest Remarketing and Liquidity***	Total Payment
4/1/2005*	\$ -	\$ 3,165,000	\$ 9,150,000	\$ 900,000	\$ 13,215,000
4/1/2006**	-	3,165,000	10,149,000	900,000	14,214,000
4/1/2007	-	3,165,000	10,149,000	900,000	14,214,000
4/1/2008	-	3,165,000	10,149,000	900,000	14,214,000
4/2/2009	-	3,165,000	10,149,000	900,000	14,214,000
4/1/2010-2036	300,000,000	62,664,890	200,943,434	17,819,400	581,427,724
	<u>\$ 300,000,000</u>	<u>\$ 78,489,890</u>	<u>\$ 250,689,434</u>	<u>\$ 22,319,400</u>	<u>\$ 651,498,724</u>

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2004 and 2003**  
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As of June 30, 2004, debt service requirements of the variable rate debt and net swap payments for 2004 Series A, B and C are as follows:

Payment Date	Principal Payment	Interest (Variable)*	Interest Rate Swaps, Net**	Interest Remarketing and Liquidity***	Total Payment
4/1/2005	\$ -	\$ 2,110,000	\$ 6,834,000	\$ 600,000	\$ 9,544,000
4/1/2006	-	2,110,000	6,834,000	600,000	9,544,000
4/1/2007	-	2,110,000	6,834,000	600,000	9,544,000
4/1/2008	3,000,000	2,110,000	6,834,000	600,000	12,544,000
4/2/2009	3,200,000	2,078,350	6,731,490	591,000	12,600,840
4/1/2010-2038	193,800,000	36,920,780	119,581,332	10,498,800	360,800,912
	<u>\$ 200,000,000</u>	<u>\$ 47,439,130</u>	<u>\$ 153,648,822</u>	<u>\$ 13,489,800</u>	<u>\$ 414,577,752</u>

	Series 2001 Bonds	Series 2003 Bonds
Interest Rate Swap		
Fixed payment to cp	4.105%	4.139%
65% Libor	-0.722%	-0.722%
Net interest rate swap payments**	<u>3.383%</u>	<u>3.417%</u>
Variable Rate bond coupon pmts*	<u>1.055%</u>	<u>1.055%</u>
Synthetic interest rate on bonds	4.438%	4.472%
remarketing/liquidity fee***	<u>0.300%</u>	<u>0.300%</u>
Total Cost	<u><u>4.738%</u></u>	<u><u>4.772%</u></u>

\*\* For Series 2001 Bonds, the above rate calculation takes effect as of April 1, 2006.

**6. LEASES**

**Capital Leases**

The MTC leases copier equipment under capital leases expiring in MTC's fiscal year end 2007. The assets and liabilities under this capital lease are recorded at the present value of the minimum lease payments. Minimum future lease payments under the capital lease are comprised of the following:

<b>Governmental Activities</b>	
<u>Year Ending June 30</u>	<u>Amount</u>
2005	22,597
2006	9,968
2007	<u>7,350</u>
Total	39,915
Less interest amounts	<u>(3,470)</u>
Present value of net minimum lease payments	<u><u>\$ 36,445</u></u>

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2004 and 2003**  
**Notes to Financial Statements**

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**Operating Leases**

MTC conducts some of its operations from office space that is leased under a six-year operating lease which commenced on May 5, 1999. Monthly rent under this lease for the year ended June 30, 2004 and 2003 was \$30,088 and \$28,860, respectively.

Future minimum rental payments required under the above operating leases as of June 30, 2004 are as follows:

**Governmental Activities**

<u>Year Ending June 30</u>	<u>Amount</u>
2005	<u>\$ 361,061</u>
Total	<u><u>\$ 361,061</u></u>

**7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2004 is as follows:

<b>Transfer from:</b>	<b>Transfer to:</b>				
	General Fund	5% Transit Transfers	90% Regional Rail	AB664 Bridge Toll	Total
Exchange	\$ 809,352	\$ -	\$ -	\$ -	\$ 809,352
STA	2,462,271	-	-	-	2,462,271
BATA	1,851,507	989,075	10,030,620	12,292,116	25,163,318
SAFE	1,134,421	-	-	-	1,134,421
Total	<u>\$ 6,257,551</u>	<u>\$ 989,075</u>	<u>\$ 10,030,620</u>	<u>\$ 12,292,116</u>	<u>\$ 29,569,362</u>

**Due to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	BATA	\$ 571,892
General Fund	STA	\$ 45,096
General Fund	Exchange	\$ 361,491
SAFE	General Fund	\$ 425,977

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2004 and 2003**  
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The composition of interfund balances as of June 30, 2003 is as follows:

<b>Transfer from:</b>	<b>Transfer to:</b>				<b>Total</b>
	<b>General Fund</b>	<b>5% Transit Transfers</b>	<b>90% Regional Rail</b>	<b>AB664 Bridge Toll</b>	
Exchange	\$ 91,689	\$ -	\$ -	\$ -	\$ 91,689
STA	4,035,593	-	-	-	4,035,593
BATA	1,639,635	999,088	9,972,589	12,280,679	24,891,991
SAFE	2,358,296	-	-	-	2,358,296
<b>Total</b>	<b>\$ 8,125,213</b>	<b>\$ 999,088</b>	<b>\$ 9,972,589</b>	<b>\$ 12,280,679</b>	<b>\$ 31,377,569</b>

**Due to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	BATA	\$ 220,820
General Fund	STA	\$ 442,013
General Fund	Exchange	\$ 37,532
SAFE	General Fund	\$ 267,176

**8. EMPLOYEES' RETIREMENT PLAN AND POSTRETIREMENT BENEFITS**

**Plan Description**

MTC's defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission ("the Plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The MTC selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento California 95814.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2004 and 2003**  
**Notes to Financial Statements**

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**Funding Policy**

Members in the Plan are required to contribute 7% of their annual covered salary which is established by California state statute. However, due to a collective bargaining agreement, MTC has a legal obligation to contribute this 7% on behalf of the covered employees. Therefore, employees have no obligation to contribute to the Plan. MTC is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its employees. The actuarial methods and assumptions are those adopted and amended by the CalPERS Board of Administration.

**Annual Pension Cost**

For the years ended June 30, 2004 and 2003, because of previously determined actuarial surplus, MTC was not required to make actual cash transfers to PERS. The amounts due, employer and member, were deducted from the surplus. Therefore, actual and required contributions were \$0. The required contribution for the year ended June 30, 2004 was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included a) 8.25% investment rate of return (net of administrative expenses) and (b) projected salary increases that vary by duration of service. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of the Plan's asset was determined using a technique that smoothes the effect of short-term volatility in market value of investments over a three-year period depending on the size of investment gains and/or losses. The Plan's unfunded actuarial excess asset is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2001 was 27 years.

The following table shows the MTC's required contributions and the percentage contributed for the current year and each of the two preceding years:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
6/30/2002	-	100%
6/30/2003	-	100%
6/30/2004	-	100%

The MTC's funding progress information as of June 30, 2002 is illustrated as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Excess of Assets over AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Excess as a Percentage of Covered Payroll</u>
June 30, 2000	\$ 43,765,185	\$ 29,898,463	\$ 13,866,722	146.4%	\$ 8,283,503	167.4%
June 30, 2001	45,552,447	32,924,078	12,628,369	138.4%	9,035,190	139.8%
June 30, 2002	43,102,147	36,565,796	6,536,351	117.9%	8,283,503	63.2%

Given that the latest available actuarial valuation was as of June 30, 2002 it is reasonably possible that the actuarial valuation as of June 30, 2003 may result in an underfunded

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2004 and 2003**

### **Notes to Financial Statements**

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status and the need for a corresponding liability to be recorded by the MTC given the potential fluctuations in the fair value of investments of the Plan.

#### **9. COMMITMENTS AND CONTINGENCIES**

MTC's administered projects are subject to audit by the respective grantors. The final determination of allowable project costs can be made only after the grantor's audits are completed and final rulings by the grantor's administrative departments are obtained. Disallowed expenditures, if any, must be borne by nonfederal funds. In the opinion of MTC's management, such disallowances, if any, would not have a material adverse effect on the accompanying government-wide financial statements.

MTC is involved in various claims and litigation that is considered normal to the MTC's regional planning activities. MTC has established a \$2.0 million reserve for use for such contingencies. In the opinion of the MTC's management, the ultimate resolution of these matters will not have a material adverse effect on the MTC's government-wide financial position.

#### **Commitment and loan to Bay Area Rapid Transit District**

On March 11, 1999, MTC, the San Mateo County Transit District (Samtrans) and the Bay Area Rapid Transit District (BART) (collectively the Parties) entered into a Memorandum of Understanding (MOU) defining the terms and conditions by which additional funds would be made available for the SFO Extension Project (the Project). On September 1, 1999, the Parties agreed to provide a total of \$198.5 million to the Project, with BART providing \$50 million, Samtrans providing \$72 million, and MTC providing \$76.5 million.

The MTC's commitment included a \$60 million loan (the Loan) for the Project's cash flow requirements and \$16.5 million for additional budget items. In addition, MTC agreed to pay for interest and financing costs not to exceed \$11.8 million, for a total commitment of \$88.3 million.

To fund the Loan, MTC has agreed to advance \$60 million from the East Bay Rail Extension Reserve Account (the East Bay Account) for Project cash flows. BART will repay this advance without interest, upon authorization and receipt of federal funds anticipated pursuant to BART's full funding grant agreement with the U.S. Department of Transportation (the FTA grant). MTC further agrees to allocate \$16.5 million to BART from the West Bay Rail Extension Reserve Account (the West Bay Account) for budget items, and utilize a combination of bridge toll revenues and other sources to pay interest and financing costs up to \$11.8 million.

On September 1, 1999, the San Francisco Bay Area Transit Financing Authority (the Authority), a joint powers agency, created pursuant to a joint exercise of powers agreement between BART and MTC, issued \$65,650,000 in Bridge Toll Notes (the Notes). The Notes are limited obligations of the Authority, payable from and secured solely by a pledge of bridge toll revenues, from the East Bay Account, allocated to BART by MTC. The Notes are insured by ACA Capital and are to be paid in semi-annual installments until February 1, 2007 at interest rates ranging from 4.25% to 5.75%.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2004 and 2003**  
**Notes to Financial Statements**

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Financial statements of the Authority can be obtained from BART, 800 Madison Avenue, Oakland, California 94607.

On February 12, 2001, MTC and BART executed an Acknowledgement Agreement (the Agreement) which modified the repayment terms of the Loan. Under the Agreement, MTC has acknowledged that the FTA grant proceeds, originally pledged to repay the Loan, will be pledged and assigned in favor of bonds (the Bonds) issued by the Association of Bay Area Governments to refinance the Notes and finance the Project. The Agreement confirms BART's obligation to repay the Loan, as set forth in the MOU; however, such repayment will be made from the general resources of BART, and, subject to the prior pledge in favor of the Bonds.

The following schedule provides a summary of MTC's remaining bridge toll allocation commitment to BART:

<b>Governmental Activities</b>	Regional	Regional	<u>Total</u>
	Measure I	Measure I	
	<u>East Bay</u>	<u>West Bay</u>	
<u>Year Ending June 30</u>			
2005	\$ 7,000,000	\$ 3,000,000	\$ 10,000,000
2006	7,000,000	3,000,000	10,000,000
2007	301,000	3,000,000	3,301,000
Total	<u>\$ 14,301,000</u>	<u>\$ 9,000,000</u>	<u>\$ 23,301,000</u>

During the year ended June 30, 2004, MTC paid \$10,000,000 to BART increasing the total loan made to BART to \$47,810,000.

**10. RISK MANAGEMENT**

MTC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. MTC purchases commercial insurance through an insurance agent, who obtains the appropriate insurance coverage needed by the MTC from insurance companies. To date, there have been no significant reductions in any of the MTC's insurance coverage, and no settlement amounts have exceeded commercial insurance coverage for the past three years.

## **SUPPLEMENTARY INFORMATION**

**Metropolitan Transportation Commission  
Schedule of Expenditures – Governmental General Fund  
For the Year Ended June 30, 2004**

**Schedule 1**

Expenditures by natural classification:

Salaries & benefits	\$ 12,698,204
Travel	282,950
Professional fees	29,272,127
Overhead	1,984,115
Printing & Reproduction	304,346
Other	<u>411,108</u>

Reported as general government expenditures  
in the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds

\$ 44,952,850

**Metropolitan Transportation Commission  
Schedule of Overhead, Salaries and Benefit Expense -  
Governmental General Fund  
For the Year Ended June 30, 2004**

**Schedule 2**

	Direct Costs	Indirect Costs	Total
Salaries	\$ 7,092,298	\$ 1,800,771	\$ 8,893,069
Benefits	3,097,601	707,534	3,805,135
<b>TOTAL SALARIES AND BENEFITS</b>	<b>\$ 10,189,899</b>	<b>\$ 2,508,305</b>	<b>\$ 12,698,204</b>
Reimbursable overhead:			
Printing and reprographics		\$ 64,493	\$ 64,493
Computer services		587,764	587,764
Conference and training		42,640	42,640
Auto expense		11,211	11,211
Travel expense/local mileage		14,192	14,192
Transit tickets		4,045	4,045
Meeting room/office rent		202,445	202,445
Office supplies		60,413	60,413
Equipment Rental		4,042	4,042
Equipment maintenance and repair		3,891	3,891
Mailing and postage		102,784	102,784
Communications		96,752	96,752
Insurance		80,849	80,849
Subscriptions		19,134	19,134
Library acquisitions		11,652	11,652
Personnel recruitment		50,542	50,542
Public hearings		10,421	10,421
County auditor		10,627	10,627
Press clippings		89	89
Provide Graphic Services		4,866	4,866
Law library		24,154	24,154
Parking		21,576	21,576
RAFC maintenance - Third floor		16,591	16,591
Janitorial services		45,073	45,073
Newswire services		2,388	2,388
Utilities		65,245	65,245
Storage rental		16,357	16,357
Advertisement/legal notices		12,689	12,689
Advisory committees		26,500	26,500
Miscellaneous		8,315	8,315
Audio Reproduction/Supply		2,018	2,018
Equipment less than \$5,000 in cost		2,651	2,651
Memberships		35,313	35,313
Subtotal		1,661,722	1,661,722
Under absorbed for year ended June 30, 2004		(640,480)	(640,480)
Carryforward provision		962,873	962,873
Total indirect costs excluding depreciation expense		1,984,115	1,984,115
Depreciation expense		366,124	366,124
Total indirect costs		<u>\$ 2,350,239</u>	<u>\$ 2,350,239</u>

**Metropolitan Transportation Commission**  
**Schedule of Expenditures - Federal Highway Administration Grant**  
**No. 020WPM TCM**  
**For the Year Ended June 30, 2004**

**Schedule 3**

	ABAG	MTC	Total
<b>Authorized expenditures</b>			
Federal	\$ 753,283	\$ 4,447,523	\$ 5,200,806
Local Match	97,596	576,224	673,820
Total authorized expenditures	<u>850,879</u>	<u>5,023,747</u>	<u>5,874,626</u>
<b>Actual Expenditures *</b>			
ABAG	753,283	-	753,283
MTC			
<i>Program No.</i>			
<i>Program Name</i>			
1111		333,386	333,386
1112		589,304	589,304
1121		125,000	125,000
1122		425,000	425,000
1154		175,000	175,000
1155		675,000	675,000
1156		150,000	150,000
1212		50,000	50,000
1221		100,000	100,000
1223		75,000	75,000
1224		50,000	50,000
1225		200,000	200,000
1226		15,000	15,000
1227		150,000	150,000
1233		250,000	250,000
1311		33,219	33,219
1412		46,856	46,856
1511		150,000	150,000
1512		600,000	600,000
1515		145,000	145,000
Total Expenditures	<u>753,283</u>	<u>4,337,765</u>	<u>5,091,048</u>
Balance of Federal Highway Administration Grant	<u>\$ -</u>	<u>\$ 109,758</u>	<u>\$ 109,758</u>

**Metropolitan Transportation Commission**  
**Statement of Revenues, Expenses and Changes in**  
**Fund Net Assets – SAFE Proprietary Fund – By Program**  
**For the Year Ended June 30, 2004**

**Schedule 4**

	Callbox Program	Freeway Service Patrol Program	Total
<b>Operating revenues</b>			
Department of Motor Vehicles registration fees	\$ 5,839,026	\$ -	\$ 5,839,026
Other operating revenues	-	199,245	199,245
Total operating revenues	5,839,026	199,245	6,038,271
<b>Operating expenses</b>			
Towing contracts	-	6,936,786	6,936,786
Salaries and benefits	344,749	340,946	685,695
Professional fees	563,773	158,566	722,339
Repairs and maintenance	850,066	102,419	952,485
Communications charges	346,732	105,186	451,918
Depreciation and amortization	365,064	44,465	409,529
Other Operating Expenses	277,886	432,779	710,665
Total Operating Expenses	2,748,270	8,121,147	10,869,417
Operating income / (loss)	3,090,756	(7,921,902)	(4,831,146)
<b>Unrestricted non-operating revenues / (expenses)</b>			
Interest Income	177,697	-	177,697
Caltrans operating Grants	-	5,931,195	5,931,195
Federal operating grants	46,409	63,023	109,432
Total non-operating revenues, net	224,106	5,994,218	6,218,324
Income / (loss) before operating and capital transfers	3,314,862	(1,927,684)	1,387,178
Transfers to MTC	(1,048,738)	(85,683)	(1,134,421)
Transfers between programs	(2,013,367)	2,013,367	-
Transfers to BATA	70,000	-	70,000
Change in net assets	322,757	-	322,757
Total net assets - beginning	26,481,659	-	26,481,659
Total net assets - ending	\$ 26,804,416	\$ -	\$ 26,804,416

**Metropolitan Transportation Commission**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets –**  
**SAFE Proprietary Fund – Callbox Program – By County**  
**For the Year Ended June 30, 2004**

**Schedule 5**

	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano	Sonoma	Total
Revenues										
Department of Motor Vehicles										
registration fees	\$ 1,213,428	\$ 855,447	\$ 232,297	\$ 124,656	\$ 479,540	\$ 681,556	\$ 1,439,345	\$ 353,094	\$ 459,663	\$ 5,839,026
Caltrans operating grants	9,644	6,799	1,846	991	3,811	5,417	11,440	2,806	3,653	46,407
Investment earnings and other revenues	36,928	26,034	7,069	3,794	14,594	20,742	43,803	10,745	13,988	177,697
Total Revenues	1,260,000	888,280	241,212	129,441	497,945	707,715	1,494,588	366,645	477,304	6,063,130
Expenses	783,321	567,280	138,180	105,221	83,020	529,094	902,084	301,225	317,581	3,727,006
Income before operating and capital transfers	476,679	321,000	103,032	24,220	414,925	178,621	592,504	65,420	159,723	2,336,124
Interfund transfers	(618,245)	(296,484)	(168,386)	-	(49,680)	(309,075)	(452,412)	(55,016)	(64,069)	(2,013,367)
Change in net assets	(141,566)	24,516	(65,354)	24,220	365,245	(130,454)	140,092	10,404	95,654	322,757
Total net assets - beginning	5,867,893	3,335,607	(63,613)	(72,275)	3,830,218	3,312,845	7,980,463	(179,209)	2,469,730	26,481,659
Total net assets - ending	\$ 5,726,327	\$ 3,360,123	\$ (128,967)	\$ (48,055)	\$ 4,195,463	\$ 3,182,391	\$ 8,120,555	\$ (168,805)	\$ 2,565,384	\$26,804,416

**Metropolitan Transportation Commission  
Schedule of Computations Demonstrating  
Bond Covenant Compliance – BATA Proprietary Fund  
For the Year Ended June 30, 2004**

**Schedule 6**

	<b>2004</b>	<b>2003</b>
<b>Revenue</b>		
Tolls	\$ 145,176,202	\$ 144,199,876
Interest	11,007,091	25,434,363
Other	2,399,717	2,306,668
Total revenue	<u>158,583,010</u>	<u>171,940,907</u>
<b>Operating expenses</b>		
Operating expenses	44,456,244	35,717,351
Services and charges	3,394,826	2,976,657
Depreciation	177,274	142,585
Total operating expenses	<u>48,028,344</u>	<u>38,836,593</u>
Net operating income	110,554,666	133,104,314
Debt service	<u>26,663,420</u>	<u>20,440,983</u>
Income before operating transfers	83,891,246	112,663,331
<b>Operating transfers</b>		
Metropolitan Transportation Commission Administrative Transfers	1,851,507	1,639,635
Metropolitan Transportation Commission Transit Transfers		
AB664 expenses	12,292,116	12,280,679
90% rail expenses	10,030,620	9,972,589
5% transit expenses	989,075	999,088
Total operating transfers	<u>25,163,318</u>	<u>24,891,991</u>
Net income before capital transfers	<u>58,727,928</u>	<u>87,771,340</u>
<b>Capital project transfers</b>		
Regional Measure 1 transfers	362,130,328	306,408,859
Bridge rehabilitation transfers	11,200,785	23,109,446
Transfers to other agencies	3,976,719	2,604,669
Total capital transfers	<u>377,307,832</u>	<u>332,122,974</u>
Net loss before capital contribution	(318,579,904)	(244,351,634)
<b>Capital contribution</b>	<u>2,397,067</u>	-
Change in net assets	(316,182,837)	(244,351,634)
<b>Total net assets - beginning</b>	<u>145,865,287</u>	<u>390,216,921</u>
<b>Total net assets / (deficit) - ending</b>	<u>\$ (170,317,550)</u>	<u>\$ 145,865,287</u>

**Metropolitan Transportation Commission**  
**Schedule of Computations Demonstrating**  
**Bond Covenant Compliance – BATA Proprietary Fund, *continued***  
**For the Year Ended June 30, 2004**

**Schedule 6**

	<b>2004</b>	<b>2003</b>
Net Operating Income	\$ 110,554,666	\$ 133,104,314
Debt Service	\$ 26,663,420	\$ 20,440,983
Debt Service Coverage (1)	4.15	6.51
Debt Service Coverage - bond covenant requirement	1.00	1.00
Total Revenue	\$ 158,583,010	\$ 171,940,907
Fixed charges (2)	\$ 99,855,082	\$ 84,169,567
Fixed charge coverage	1.59	2.04
Fixed charge coverage - bond covenant requirement	1.00	1.00
Total revenue plus operations & maintenance reserve	\$ 283,583,010	\$ 251,940,907
Fixed charges (2)	\$ 99,855,082	\$ 84,169,567
Fixed charge coverage	2.84	2.99
Fixed charge coverage - bond covenant requirement	1.25	1.25
Self insurance reserve	\$ 50,000,000	\$ 50,000,000
Self insurance reserve - bond covenant requirement	\$ 50,000,000	\$ 50,000,000
Operations & maintenance reserve	\$ 125,000,000	\$ 80,000,000
Operations & maintenance reserve - bond coverage requirement	\$ 96,056,688	\$ 77,673,186

(1) Based on debt outstanding from May 24, 2001 and February 14, 2003.

(2) Fixed charges comprises operating expenses, debt service and operating transfers.

**Metropolitan Transportation Commission**  
**Schedule of Operating Revenue and Expenses – BATA Proprietary Fund – by Bridge**  
**For the Year Ended June 30, 2004**

**Schedule 7**

	<b>Carquinez Bridge</b>	<b>Benicia- Martinez Bridge</b>	<b>Antioch Bridge</b>	<b>Richmond- San Rafael Bridge</b>	<b>San Francisco Oakland Bay Bridges</b>	<b>San Mateo - Hayward Bridge</b>	<b>Dumbarton Bridge</b>	<b>Total</b>
<b>Operating revenues</b>								
Toll revenues collected by Caltrans	\$ 27,665,208	\$ 22,070,380	\$ 3,618,949	\$ 14,813,522	\$ 48,359,687	\$ 17,798,598	\$ 10,849,858	\$ 145,176,202
Other operating revenues	348,252	292,488	44,935	217,703	648,329	229,678	140,285	1,921,670
Total operating revenues	28,013,460	22,362,868	3,663,884	15,031,225	49,008,016	18,028,276	10,990,143	147,097,872
<b>Operating expenses</b>								
Operating expenditures incurred by Caltrans	6,592,173	5,994,071	1,612,896	4,318,356	17,076,095	5,154,500	3,708,153	44,456,244
Services and charges	592,471	471,890	66,784	330,394	1,234,647	418,924	279,716	3,394,826
Depreciation	30,966	24,625	3,488	17,098	64,505	21,925	14,667	177,274
Total operating expenses	7,215,610	6,490,586	1,683,168	4,665,848	18,375,247	5,595,349	4,002,536	48,028,344
<b>Operating income</b>	<b>\$ 20,797,850</b>	<b>\$ 15,872,282</b>	<b>\$ 1,980,716</b>	<b>\$ 10,365,377</b>	<b>\$ 30,632,769</b>	<b>\$ 12,432,927</b>	<b>\$ 6,987,607</b>	<b>\$ 99,069,528</b>

**Metropolitan Transportation Commission**

**Schedule of Toll Collection Summary – BATA Proprietary Fund – by Bridge (in Number of Vehicles)**

**For the Year Ended June 30, 2004**

**Schedule 8**

	<u>San Francisco- Oakland Bay Bridge</u>	<u>San Mateo- Hayward Bridge</u>	<u>Dumbarton Bridge</u>	<u>Carquinez Bridge</u>	<u>Benicia- Martinez Bridge</u>	<u>Antioch Bridge</u>	<u>Richmond- San Rafael Bridge</u>	<u>Toll Traffic Total</u>
Autos, Trucks, Buses & Trailers								
2-Axle	43,986,719	14,758,054	9,821,494	21,122,249	17,261,176	2,276,100	11,975,833	121,201,625
3-Axle	146,506	98,081	42,177	142,845	149,493	44,094	80,509	703,705
4-Axle	88,737	75,493	20,329	112,170	124,104	31,584	62,157	514,574
5-Axle	415,985	257,991	90,584	656,765	441,513	123,976	275,887	2,262,701
6-Axle	7,547	6,420	1,609	18,531	10,248	1,793	4,267	50,415
7-Axle & More	893	5,457	427	1,381	1,104	84	166	9,512
Subtotal - Paid Vehicles	44,646,387	15,201,496	9,976,620	22,053,941	17,987,638	2,477,631	12,398,819	124,742,532
Free Vehicles	4,534,843	1,515,474	1,205,979	1,556,209	787,593	181,739	637,795	10,419,632
Total Vehicles	<u>49,181,230</u>	<u>16,716,970</u>	<u>11,182,599</u>	<u>23,610,150</u>	<u>18,775,231</u>	<u>2,659,370</u>	<u>13,036,614</u>	<u>135,162,164</u>

**Metropolitan Transportation Commission**  
**Schedule of Traffic and Toll Revenue for the Carquinez Bridge – BATA Proprietary Fund**  
**For the Year Ended June 30, 2004**

**Schedule 9**

	Number of Westbound Vehicles					Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	1,854,625	84,400	1,939,025	151,435	2,090,460	\$ 1,846,940	\$ 592,662	\$ 2,439,602
August	1,932,870	84,218	2,017,088	131,078	2,148,166	1,927,627	586,810	2,514,437
September	1,715,389	80,840	1,796,229	131,233	1,927,462	1,719,372	575,883	2,295,255
October	1,787,370	85,670	1,873,040	119,612	1,992,652	1,769,656	610,901	2,380,557
November	1,690,930	69,545	1,760,475	108,382	1,868,857	1,686,960	497,514	2,184,474
December	1,700,793	70,306	1,771,099	118,153	1,889,252	1,697,739	506,627	2,204,366
January	1,698,800	68,102	1,766,902	117,348	1,884,250	1,687,935	481,078	2,169,013
February	1,588,611	65,156	1,653,767	135,241	1,789,008	1,584,967	467,047	2,052,014
March	1,786,721	81,106	1,867,827	116,601	1,984,428	1,782,961	575,760	2,358,721
April	1,751,115	79,704	1,830,819	132,386	1,963,205	1,746,058	569,683	2,315,741
May	1,812,172	77,830	1,890,002	138,147	2,028,149	1,807,174	550,233	2,357,407
June	1,802,853	84,815	1,887,668	156,593	2,044,261	1,790,800	602,821	2,393,621
Grand Total								
FY 03-04	<u>21,122,249</u>	<u>931,692</u>	<u>22,053,941</u>	<u>1,556,209</u>	<u>23,610,150</u>	<u>\$21,048,189</u>	<u>\$ 6,617,019</u>	<u>\$ 27,665,208</u>

**Metropolitan Transportation Commission**  
**Schedule of Traffic and Toll Revenue for the Benicia-Martinez Bridge – BATA Proprietary Fund**  
**For the Year Ended June 30, 2004**

**Schedule 10**

	Number of Westbound Vehicles					Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	1,499,876	70,262	1,570,138	86,641	1,656,779	\$ 1,496,999	\$ 454,609	\$ 1,951,608
A Trailers	1,547,294	69,994	1,617,288	69,747	1,687,035	1,543,578	454,216	1,997,794
September	1,404,455	65,376	1,469,831	65,237	1,535,068	1,401,639	440,574	1,842,213
October	1,476,992	68,612	1,545,604	57,786	1,603,390	1,471,459	464,478	1,935,937
November	1,368,782	53,368	1,422,150	55,643	1,477,793	1,367,397	362,739	1,730,136
December	1,423,135	50,346	1,473,481	60,992	1,534,473	1,416,206	348,268	1,764,474
January	1,377,999	48,825	1,426,824	56,304	1,483,128	1,374,283	330,227	1,704,510
February	1,309,293	46,357	1,355,650	63,822	1,419,472	1,312,193	310,783	1,622,976
March	1,481,445	61,060	1,542,505	56,257	1,598,762	1,482,100	411,944	1,894,044
April	1,432,340	60,905	1,493,245	80,709	1,573,954	1,428,157	406,537	1,834,694
May	1,477,742	62,441	1,540,183	56,108	1,596,291	1,470,152	410,173	1,880,325
June	1,461,823	68,916	1,530,739	78,347	1,609,086	1,459,887	451,782	1,911,669
Grand Total FY 03-04	17,261,176	726,462	17,987,638	787,593	18,775,231	\$17,224,050	\$ 4,846,330	\$22,070,380

**Metropolitan Transportation Commission**  
**Schedule of Traffic and Toll Revenue for the Antioch Bridge – BATA Proprietary Fund**  
**For the Year Ended June 30, 2004**

**Schedule 11**

	Number of Westbound Vehicles					Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	204,636	19,563	224,199	19,100	243,299	\$ 206,081	\$ 124,745	\$ 330,826
A Trailers	212,679	19,714	232,393	16,414	248,807	213,545	125,664	339,209
September	188,494	18,230	206,724	14,755	221,479	190,430	119,857	310,287
October	195,390	19,902	215,292	16,421	231,713	198,029	132,446	330,475
November	179,639	14,464	194,103	12,991	207,094	180,495	97,634	278,129
December	178,114	13,393	191,507	14,459	205,966	174,036	93,271	267,307
January	170,055	13,218	183,273	12,946	196,219	173,008	91,557	264,565
February	164,361	12,428	176,789	13,026	189,815	167,195	86,561	253,756
March	191,092	16,185	207,277	14,690	221,967	187,923	109,702	297,625
April	176,994	15,951	192,945	14,187	207,132	178,813	105,814	284,627
May	205,025	18,431	223,456	15,305	238,761	204,154	119,474	323,628
June	209,621	20,052	229,673	17,445	247,118	207,321	131,194	338,515
Grand Total FY 03-04	<u>2,276,100</u>	<u>201,531</u>	<u>2,477,631</u>	<u>181,739</u>	<u>2,659,370</u>	<u>\$ 2,281,030</u>	<u>\$ 1,337,919</u>	<u>\$ 3,618,949</u>

**Metropolitan Transportation Commission**

**Schedule of Traffic and Toll Revenue for the Richmond-San Rafael Bridge – BATA Proprietary Fund  
For the Year Ended June 30, 2004**

**Schedule 12**

	Number of Westbound Vehicles					Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	1,064,266	36,748	1,101,014	58,038	1,159,052	\$ 1,061,397	\$ 246,135	\$ 1,307,532
August	1,095,792	37,705	1,133,497	44,549	1,178,046	1,094,640	252,375	1,347,015
September	1,007,397	37,987	1,045,384	51,482	1,096,866	1,006,469	261,180	1,267,649
October	1,038,080	40,080	1,078,160	54,352	1,132,512	1,035,249	277,138	1,312,387
November	948,867	32,137	981,004	37,199	1,018,203	944,889	221,226	1,166,115
December	956,039	31,599	987,638	44,419	1,032,057	955,220	218,516	1,173,736
January	947,305	30,785	978,090	42,918	1,021,008	937,692	205,260	1,142,952
February	895,409	28,160	923,569	54,941	978,510	896,035	190,957	1,086,992
March	1,025,636	36,924	1,062,560	48,658	1,111,218	1,013,015	254,720	1,267,735
April	980,859	35,458	1,016,317	69,479	1,085,796	976,954	242,813	1,219,767
May	1,009,567	35,143	1,044,710	63,245	1,107,955	1,004,962	239,300	1,244,262
June	1,006,616	40,260	1,046,876	68,515	1,115,391	1,002,937	274,443	1,277,380
Grand Total FY 03-04	11,975,833	422,986	12,398,819	637,795	13,036,614	\$11,929,459	\$ 2,884,063	\$ 14,813,522

**Metropolitan Transportation Commission**

**Schedule of Traffic and Toll Revenue for the San Francisco-Oakland Bridge – BATA Proprietary Fund  
For the Year Ended June 30, 2004**

**Schedule 13**

	Number of Westbound Vehicles				Toll Revenues			
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	3,828,216	56,541	3,884,757	405,742	4,290,499	\$ 3,820,833	\$ 376,197	\$ 4,197,030
August	3,912,084	56,862	3,968,946	373,796	4,342,742	3,909,041	377,786	4,286,827
September	3,636,713	56,353	3,693,066	392,643	4,085,709	3,651,912	378,284	4,030,196
October	3,756,055	60,663	3,816,718	395,179	4,211,897	3,738,859	406,586	4,145,445
November	3,564,780	50,207	3,614,987	329,690	3,944,677	3,568,156	339,663	3,907,819
December	3,596,506	51,707	3,648,213	347,526	3,995,739	3,585,921	350,351	3,936,272
January	3,582,867	50,813	3,633,680	344,539	3,978,219	3,578,622	342,701	3,921,323
February	3,389,432	49,185	3,438,617	352,536	3,791,153	3,385,459	318,818	3,704,277
March	3,726,840	58,630	3,785,470	407,066	4,192,536	3,736,643	384,453	4,121,096
April	3,608,096	55,894	3,663,990	370,522	4,034,512	3,606,647	375,686	3,982,333
May	3,735,645	53,878	3,789,523	386,972	4,176,495	3,726,219	364,103	4,090,322
June	3,649,485	58,935	3,708,420	428,632	4,137,052	3,636,811	399,936	4,036,747
Grand Total FY 03-04	43,986,719	659,668	44,646,387	4,534,843	49,181,230	\$43,945,123	\$ 4,414,564	\$48,359,687

**Metropolitan Transportation Commission**

**Schedule of Traffic and Toll Revenue for the San Mateo-Hayward Bridge – BATA Proprietary Fund  
For the Year Ended June 30, 2004**

**Schedule 14**

	Number of Westbound Vehicles					Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	1,245,998	38,052	1,284,050	138,072	1,422,122	\$ 1,248,141	\$ 248,568	\$ 1,496,709
August	1,282,000	38,306	1,320,306	125,036	1,445,342	1,301,134	249,493	1,550,627
September	1,225,545	39,153	1,264,698	126,857	1,391,555	1,237,251	258,960	1,496,211
October	1,288,920	40,218	1,329,138	128,948	1,458,086	1,304,614	266,435	1,571,049
November	1,165,037	32,345	1,197,382	109,080	1,306,462	1,164,507	215,167	1,379,674
December	1,181,015	31,540	1,212,555	120,217	1,332,772	1,189,496	209,140	1,398,636
January	1,179,419	31,623	1,211,042	116,339	1,327,381	1,191,419	205,350	1,396,769
February	1,128,255	29,892	1,158,147	116,028	1,274,175	1,135,977	193,863	1,329,840
March	1,285,026	37,841	1,322,867	128,062	1,450,929	1,294,988	247,001	1,541,989
April	1,261,486	37,093	1,298,579	133,068	1,431,647	1,273,665	244,174	1,517,839
May	1,260,881	38,372	1,299,253	128,591	1,427,844	1,261,976	256,450	1,518,426
June	1,254,472	49,007	1,303,479	145,176	1,448,655	1,261,344	339,485	1,600,829
Grand Total FY 03-04	14,758,054	443,442	15,201,496	1,515,474	16,716,970	\$14,864,512	\$ 2,934,086	\$17,798,598

**Metropolitan Transportation Commission**  
**Schedule of Traffic and Toll Revenue for the Dumbarton Bridge – BATA Proprietary Fund**  
**For the Year Ended June 30, 2004**

**Schedule 15**

	Number of Westbound Vehicles					Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	824,169	13,538	837,707	111,295	949,002	\$ 829,062	\$ 86,429	\$ 915,491
August	836,622	14,200	850,822	98,636	949,458	838,567	93,651	932,218
September	816,114	13,974	830,088	103,699	933,787	810,420	91,779	902,199
October	861,003	14,304	875,307	106,277	981,584	868,646	93,146	961,792
November	773,156	11,383	784,539	87,745	872,284	776,957	73,663	850,620
December	781,941	10,835	792,776	93,269	886,045	780,583	70,446	851,029
January	797,921	12,137	810,058	95,332	905,390	802,667	75,261	877,928
February	767,374	9,691	777,065	93,858	870,923	768,025	60,838	828,863
March	865,328	13,918	879,246	105,154	984,400	873,903	87,695	961,598
April	829,222	13,088	842,310	104,668	946,978	827,844	84,317	912,161
May	831,745	13,214	844,959	92,326	937,285	836,806	85,380	922,186
June	836,899	14,844	851,743	113,720	965,463	836,835	96,938	933,773
Grand Total FY 03-04	9,821,494	155,126	9,976,620	1,205,979	11,182,599	\$9,850,315	\$ 999,543	\$10,849,858

**Metropolitan Transportation Commission  
Schedule of Fiduciary Net Assets by Participant  
June 30, 2004**

**Schedule 16**

	County of Alameda	County of Contra Costa	County of Marin	County of Napa	City/County of San Francisco	County of San Mateo	County of Santa Clara	County of Solano	County of Sonoma	TDA Fiduciary Total	AB1107 Fund Program	Fiduciary Fund Total
Restricted assets held by participating counties	\$ 12,038,188	\$ 15,158,844	\$ 1,151,340	\$ 8,226,121	\$ 1,995,946	\$ 2,067,166	\$ 5,240,121	\$ 10,267,000	\$ 19,234,404	\$ 75,379,130	\$ -	\$ 75,379,130
A/R - Interest	20,000	6,049	4,413	-	-	18,583	-	49,365	-	98,410	10,000	108,410
Total Net Assets	\$ 12,058,188	\$ 15,164,893	\$ 1,155,753	\$ 8,226,121	\$ 1,995,946	\$ 2,085,749	\$ 5,240,121	\$ 10,316,365	\$ 19,234,404	\$ 75,477,540	\$ 10,000	\$ 75,487,540
Accounts Payable	\$ 1,164,143	\$ 218,261	\$ 47,266	\$ 47,000	\$ 13,521	\$ -	\$ 165,767	\$ 285,612	\$ 86,635	\$ 2,028,205	-	\$ 2,028,205
Accrued Expense	188,123	-	32,496	19,698	201,750	89,930	288,473	779,435	16,853	1,616,758	-	1,616,758
Due to other Governments	10,705,922	14,946,632	1,075,991	8,159,423	1,780,675	1,995,819	4,785,881	9,251,318	19,130,916	71,832,577	10,000	71,842,577
Total Liabilities	\$ 12,058,188	\$ 15,164,893	\$ 1,155,753	\$ 8,226,121	\$ 1,995,946	\$ 2,085,749	\$ 5,240,121	\$ 10,316,365	\$ 19,234,404	\$ 75,477,540	\$ 10,000	\$ 75,487,540

**Metropolitan Transportation Commission**  
**Schedule of Changes in Fiduciary Net Assets**  
**For the Year Ended June 30, 2004**

**Schedule 17**

	County of Alameda	County of Contra Costa	County of Marin	County of Napa	City/County of San Francisco	County of San Mateo	County of Santa Clara	County of Solano	County of Sonoma	TDA Fiduciary Fund Total	AB1107 Fund Program	Fiduciary Fund Total
Local Transportation Fund	\$ 55,175,813	\$ 31,412,304	\$ 9,907,306	\$ 5,102,757	\$ 29,492,989	\$ 28,570,875	\$ 69,078,642	\$ 13,532,712	\$ 17,369,653	\$ 259,643,051	\$ -	\$ 259,643,051
AB1107 fees	-	-	-	-	-	-	-	-	-	-	56,936,980	56,936,980
Investment earnings	199,044	100,583	25,382	88,820	56,216	117,353	101,447	257,722	379,642	1,326,209	125,825	1,452,034
<b>Total additions</b>	<b>55,374,857</b>	<b>31,512,887</b>	<b>9,932,688</b>	<b>5,191,577</b>	<b>29,549,205</b>	<b>28,688,228</b>	<b>69,180,089</b>	<b>13,790,434</b>	<b>17,749,295</b>	<b>260,969,260</b>	<b>57,062,805</b>	<b>318,032,065</b>
Allocations	54,902,417	28,729,537	9,552,795	2,649,738	28,372,941	27,977,541	66,158,479	13,934,474	15,428,377	247,706,299	57,052,805	304,759,104
Administrative	1,956,268	1,161,885	396,292	204,110	1,179,720	1,055,848	2,763,147	541,308	629,940	9,888,518	-	9,888,518
<b>Total deductions</b>	<b>56,858,685</b>	<b>29,891,422</b>	<b>9,949,087</b>	<b>2,853,848</b>	<b>29,552,661</b>	<b>29,033,389</b>	<b>68,921,626</b>	<b>14,475,782</b>	<b>16,058,317</b>	<b>257,594,817</b>	<b>57,052,805</b>	<b>314,647,622</b>
Net of additions over (under) deductions	(1,483,828)	1,621,465	(16,399)	2,337,729	(3,456)	(345,161)	258,463	(685,348)	1,690,978	3,374,443	10,000	3,384,443
Due to other governments 6/30/03	12,189,750	13,325,168	1,092,390	5,821,695	1,784,131	2,340,980	4,527,419	9,936,667	17,439,934	68,458,134	-	68,458,134
Due to other governments 6/30/04	\$ 10,705,922	\$ 14,946,633	\$ 1,075,991	\$ 8,159,424	\$ 1,780,675	\$ 1,995,819	\$ 4,785,882	\$ 9,251,319	\$ 19,130,912	\$ 71,832,577	\$ 10,000	\$ 71,842,577

**Metropolitan Transportation Commission**  
**Schedule of Interest Rate Swap – BATA Proprietary Fund**  
**June 30, 2004**

**Schedule 18**

	Series A-2001	Series A-2001	Series B-2001	Series C-2001	Series 2003	Total
Notional Amount	\$75,000,000	\$75,000,000	\$75,000,000	\$75,000,000	\$200,000,000	\$500,000,000
Trade date	1/10/2002	1/10/2002	1/10/2002	1/10/2002	3/5/2003	
Swap mode	Cost of fund / 65% Libor	Cost of fund	Cost of fund	Cost of fund	65% LIBOR	
Maturity	4/1/2036	4/1/2036	4/1/2025	4/1/2029	4/1/2038	
Basis risk	No**	No**	No**	No**	Yes	
All in rate						
contracted cost	4.090%	4.100%	4.110%	4.120%	4.139%	
basis cost	0.000%	0.000%	0.000%	0.000%	0.333%	
liquidity marketing	0.300%	0.300%	0.300%	0.300%	0.300%	
	4.390%	4.400%	4.410%	4.420%	4.772%	
Counterparty (CP)	Morgan Stanley	CitiBank	AMBAC	AMBAC	AMBAC	
% held by CP - 2001 Swap	25%	25%	See series c for cumulative	50%	0%	100%
% held by CP - Aggregate	15%	15%	See 2003 for cumulative	See 2003 for cumulative	70%	100%
S&P/Moodys	A+/Aa3	AA/Aa1	AAA/Aaa	AAA/Aaa	AAA/Aaa	
Ratings outlook	Stable/Stable	Stable/Stable	Stable/N.A.	Stable/N.A.	Stable/N.A.	
Termination value	(\$4,720,500)	(\$4,829,400)	(\$4,655,000)	(\$4,720,200)	(\$13,931,800)	(\$32,856,900)
Credit risk						
CP collateral posting *						
CP < AA	Yes	No	No	No	No	
and						
Termination value > \$10,000,000	No	No	No	No	No	
Termination risk ***	No	No	No	No	No	
Tax risk	Yes	Yes	Yes	Yes	No	
Counterparty default rate	65% LIBOR	65% LIBOR	65% LIBOR	65% LIBOR	N.A.	

\* Unilateral collateral posting from cp; see attachment f for collateral schedule

\*\* Yes, upon 2006 conversion to 65% libor index

\*\*\* Unilateral termination at BATA's discretion

## **STATISTICAL SECTION**

**Metropolitan Transportation Commission**  
**Summary of Callboxes by County (unaudited)**  
**For the Year Ended June 30, 2004**

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	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano	Sonoma	Total
For the Year Ended:										
June 30, 1998	649	491	143	106	60	446	885	312	301	3,393
June 30, 1999	679	491	143	106	68	446	885	312	301	3,431
June 30, 2000	699	511	143	106	68	446	885	312	301	3,471
June 30, 2001	699	525	143	106	68	449	886	312	301	3,489
June 30, 2002	701	525	143	106	68	449	886	312	301	3,491
June 30, 2003	744	525	143	106	68	492	886	312	301	3,577
June 30, 2004	744	544	143	106	68	492	886	333	301	3,617

**Metropolitan Transportation Commission**  
**Government-wide Revenues (unaudited)**  
**By Fiscal Years**

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Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES		Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Sales Taxes	Unrestricted Investment Earnings	
1994	\$ 29,851,323	\$ 11,045,624	N/A	\$ 5,951,654	\$ 1,425,259	\$ 48,273,860
1995	30,924,304	13,359,438	N/A	6,197,885	1,786,186	52,267,813
1996	32,561,218	20,482,740	N/A	6,985,078	2,475,587	62,504,623
1997	32,589,565	20,888,238	N/A	7,437,596	2,495,897	63,411,296
1998	142,325,259	17,980,234	N/A	7,995,846	40,482,734	208,784,073
1999	142,457,747	22,522,983	N/A	8,308,337	41,034,464	214,323,531
2000	146,570,469	31,848,657	36,779,136	9,358,589	44,447,110	269,003,961
2001*	150,759,047	38,906,141	44,648,314	10,641,974	50,626,342	295,581,818
2002	150,127,560	44,810,738	64,472,632	9,326,567	49,973,084	318,710,581
2003**	151,914,404	46,238,665	72,344,529	8,903,326	27,557,608	306,958,532
2004	152,936,898	47,604,184	42,343,900	9,087,510	12,274,572	264,247,064

\* Excludes \$400 million bond proceeds

\*\* Excludes \$300 million bond proceeds

**Metropolitan Transportation Commission**  
**Government-wide Expenses by Function (unaudited)**  
**By Fiscal Years**

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<u>Fiscal Year</u>	<u>General Government</u>	<u>Allocations to Other Agencies</u>	<u>Toll Bridge Activities</u>	<u>Congestion Relief</u>	<u>Total</u>
1994	11,896,331	16,037,751	N/A	6,976,175	34,910,257
1995	12,764,615	15,981,519	N/A	8,267,619	37,013,753
1996	18,095,531	19,934,506	N/A	8,449,071	46,479,108
1997	17,115,323	35,357,207	N/A	8,644,377	61,116,907
1998	18,526,363	35,212,654	52,105,544	9,890,973	115,735,534
1999	21,079,858	14,650,657	85,250,887	10,921,898	131,903,300
2000	29,698,823	185,263,198	33,982,565	11,849,116	260,793,702
2001	38,845,325	58,179,156	277,944,435	9,618,902	384,587,818
2002	45,894,987	92,787,010	347,029,659	9,251,327	494,962,983
2003	48,570,719	105,152,624	390,063,272	10,375,587	554,162,202
2004	47,237,837	81,873,193	451,929,595	10,869,417	591,910,042

**Metropolitan Transportation Commission**  
**TDA Sales Tax of Nine San Francisco Bay Area Counties (unaudited)**  
**By Fiscal Years**

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<u>Fiscal Year</u>	<u>Alameda</u>	<u>Contra Costa</u>	<u>Marin</u>	<u>Napa</u>	<u>San Francisco</u>	<u>San Mateo</u>	<u>Santa Clara</u>	<u>Solano</u>	<u>Sonoma</u>	<u>Total</u>
1994	34,714,009	19,318,474	6,297,588	2,709,644	21,447,280	20,715,810	48,133,983	6,777,809	9,912,637	170,027,234
1995	36,474,946	19,873,487	6,506,970	2,610,387	22,756,793	20,764,798	51,059,772	6,985,386	10,049,809	177,082,348
1996	41,179,331	21,591,546	7,025,001	2,944,524	25,276,273	23,178,753	59,903,304	7,417,079	11,057,828	199,573,639
1997	44,005,230	22,103,441	7,401,551	3,139,506	26,700,851	25,273,946	64,428,786	7,793,529	11,655,865	212,502,705
1998	47,713,711	23,991,707	7,993,642	3,076,720	27,729,204	27,460,182	69,208,486	8,355,779	12,923,237	228,452,668
1999	49,283,302	26,423,486	8,596,792	3,805,482	28,894,542	28,202,194	69,622,688	8,792,082	13,760,430	237,380,998
2000	54,936,880	28,290,695	9,527,056	4,451,700	32,039,597	31,697,342	80,362,348	10,272,149	15,810,470	267,388,237
2001	61,283,441	31,388,967	10,302,362	4,921,211	35,787,353	35,831,563	95,812,143	11,471,073	17,429,706	304,227,819
2002	56,343,360	30,538,171	9,732,118	4,876,446	29,683,577	30,834,076	75,632,441	12,019,791	16,813,361	266,473,341
2003	53,596,978	30,495,773	9,694,417	5,136,467	28,959,436	28,972,882	67,567,984	13,069,921	16,887,783	254,381,641
2004	55,175,813	31,412,304	9,907,306	5,102,757	29,492,989	28,570,875	69,078,642	13,532,712	17,369,653	259,643,051

**Metropolitan Transportation Commission**  
**Miscellaneous Statistics (unaudited)**  
**June 30, 2004**

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Date of Incorporation	1970
Form of Government	Commissioners with Appointed Executive Director
Number of Commissioners	16 Voting and 3 Non-Voting Members
Number of Employees (Approved Positions)	130
Type of Tax Support	3.5 % of TDA Sales Tax
Region in which Commission Operates	San Francisco Bay Area
Number of Counties in the Region	9
Area of Authority in Square Miles	6,980
Population of Region in which Commission Operates	7,009,400
Number of Toll Bridges in the Region	8
Traffic for All Toll Bridges (Number of Vehicles) (excluding GGBHD)	135,162,164
Toll Revenues (excluding GGBHD)	145,146,202
Number of Call Boxes in the Region	3,617
Number of Calls Made from Call Boxes	66,819

**Metropolitan Transportation Commission  
Demographic Statistics for Nine San Francisco Bay Area Counties (unaudited)  
By Calendar Years**

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<u>Year</u>	<u>Population<sup>1</sup></u>	<u>Per Capita Income<sup>4</sup></u>	<u>Median Age<sup>4</sup></u>	<u>School Enrollment<sup>2</sup></u>	<u>Unemployment Rate<sup>3</sup></u>
1994	6,296,600	N/A	N/A	891,445	6.03%
1995	6,329,800	N/A	N/A	901,650	5.46%
1996	6,375,500	N/A	N/A	920,622	4.45%
1997	6,462,400	N/A	N/A	940,608	3.78%
1998	6,566,100	N/A	N/A	955,843	3.52%
1999	6,658,500	N/A	N/A	968,039	3.02%
2000	6,764,500	30,934	36.6	975,710	2.50%
2001	6,861,500	N/A	N/A	980,475	4.06%
2002	6,936,700	N/A	N/A	972,766	6.47%
2003	6,994,500	N/A	N/A	976,025	6.46%
2004	7,009,400	N/A	N/A	974,281	N/A

Data Sources

<sup>1</sup> State of California, Dept. of Finance, Demographic Research Unit

<sup>2</sup> California Department of Education

<sup>3</sup> State of California, Employment Development Department

<sup>4</sup> Bureau of Census conducts survey every ten years for the Median Age and Per Capita Income of the nine county region as a whole.

**Metropolitan Transportation Commission**  
**Ratio of Annual Debt Service Expenditures**  
**For Bonded Revenue Debt to Total Toll Revenue – BATA Proprietary Fund**  
**By Fiscal Years (unaudited)**

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<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Toll Revenue</u>	<u>Ratio of Debt Service to Total Toll Revenue</u>
2001	\$ -	\$ 1,327,465	\$ 1,327,465	\$ 143,717,694	0.92%
2002	-	13,357,928	13,357,928	144,230,152	9.26%
2003	-	20,440,983	20,440,983	146,105,106	13.99%
2004	-	26,663,420	26,663,420	147,097,872	18.13%

No debt prior to 2001

**Metropolitan Transportation Commission**  
**Ratio of Retiree Medical Premium to Covered Payroll**  
**Last Five Fiscal Years (unaudited)**

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<u>Fiscal Year</u>	<u>Retiree Premiums</u>	<u>Covered Payroll</u>	<u>% of Covered Payroll</u>
2000	\$ 77,882	\$ 8,383,503	0.9%
2001	99,109	9,035,190	1.1%
2002	120,377	10,346,350	1.2%
2003	152,096	10,933,372 *	1.4%
2004	217,975	11,289,637 *	1.9%

\* From MTC records